

KIATNAKIN PHATRA  
FINANCIAL GROUP

Annual Report 2013

# Welcome to Optimal Financial Solutions



Kiatnakin  
Bank



Phatra





# CONTENTS

---

## Introduction

---

Kiatnakin Phatra Financial Group Milestone .....	008
Vision and Mission.....	010
Awards of Success.....	011
Financial Highlights.....	012
Message from the Board of Directors.....	015
Board of Directors .....	018
Executive Committee.....	020

---

## Kiatnakin Phatra Financial Group

---

Development of Kiatnakin Phatra Financial Group .....	022
Business Operations.....	026
Risk Management and Risk Factors .....	043
Management Discussion and Analysis.....	053

Please read Corporate Social Responsibility Report 2013 from [www.kiatnakinphatra.com](http://www.kiatnakinphatra.com) (Investor Relations Section ; Publications - Form 56-1 for the year 2013) or from Corporate Social Responsibility Report 2013 of Kiatnakin Phatra Financial Group

---

## Corporate Governance

---

Corporate Governance .....	065
Report of the Audit Committee .....	088
Report of the Nomination and Remuneration Committee .....	090
Report of the Compliance and Governance Committee .....	092
Securities and Shareholders .....	093
Management Structure.....	098
Internal Controls.....	106
Factors Affecting Investment Decision.....	111

---

## Financial Report

---

Report of the Board of Directors Responsibilities for the Financial Statements.....	114
Report of the Independent Certified Public Accountants.....	115
Financial Statements and Notes to the Financial Statements.....	116

---

## Other Informations

---

Board of Directors and Management .....	218
Directorship of Directors and Executives.....	235
General Information .....	237
Branches .....	240

Fully equipped, we are committed  
to seeking only the best  
alternatives for your investment.











We bring our expertise and long experiences in both money and capital markets, with a range of products and services to meet your needs.







Looking to the future, we create  
new opportunities to maximize benefit  
for not only our customers,  
but also for our community and society.







# Kiatnakin Phatra Financial Group Milestone



## 1971

Established Kiatnakin Finance and Securities Company Limited with a registered capital of 10 million bath.

## 1973

Awarded License to operate in finance and securities.

## 1982

Became Broker No. 19 on the Stock Exchange of Thailand.

## 1998

Granted permission by the Ministry of Finance to resume business operations.

## 2004

Received an upgrade in credit rating from "BBB+" to "A-" by TRIS Rating Company Limited.

## 2005

Granted permission by the Ministry of Finance to establish a commercial bank under the name **"Kiatnakin Bank Public Company Limited"**.

## 2012

September 11, 2012 Kiatnakin Bank Public Company Limited and Phatra Capital Public Company Limited announced the completion of merger to be **"Kiatnakin Phatra Financial Group"**, aiming to offer clients with its expertise in 2 areas of commercial banking and capital market, to create the excellence in every practice of its core business and to provide the ultimate financial services to clients.

## 2013

Kiatnakin Bank Public Company Limited provides full range of financial and investment services professionally as well as offers excellent product and services to support customer' success.





## 1988

Listed on the Stock Exchange of Thailand.

## 1993

Became a Public Company Limited

## 1997

Together with 57 other financial institutions was forced to temporarily suspend operations due to financial crisis

## 2007

Received "Best Shareholder Treatment Awards" from Thailand Securities Depository Company Limited (TSD)

## 2008

One of 22 from 448 listed companies that awarded a "Excellent" rating for corporate governance from the Thai Institute of Directors Association (IOD)

## 2011

Acquired credit rating at "A- / Stable", with "Positive" Outlook by TRIS Rating Company Limited.

## Nowadays

Kiatnakin Phatra Financial Group is the new leader in specialised commercial and investment banking in Thailand

## Vision

To be recognized as the bank that stands for customers' success and builds a sustainable community

## Mission

1. To provide a complete and expert service and to enhance customers' potential for a sustainable achievement.
2. To operate under corporate governance in concern of best outcome for all stakeholders.





# Awards of Success



## Excellent Top 100 Scores

Received **"Excellent Top 100 Scores"** for the seventh consecutive years from Annual General Meeting (AGM) in 2007 - 2013, conducted by Thai Investor Association (TIA) and the Securities and Exchange Commission Thailand (SEC).

## Investors' Choice Award

Received **"Investors' Choice Award"** 100 Scores for the fourth consecutive years (2009-2012), from Annual General Meeting (AGM), conducted by Thai Investor Association (TIA) and the Securities and Exchange Commission Thailand (SEC) and The Stock Exchange of Thailand (SET).



Credit Rating by TRIS Rating Co., Ltd.

The Bank and its debentures were rated **"A-"** with **"POSITIVE"** outlook by TRIS Rating Co., Ltd.

## SET Award of Honor

(Corporate Governance Report)

Received **"SET Award of Honor" (Corporate Governance Report)** to maintain the distinction and excellence for the fourth consecutive year (2010-2013), during award ceremony of "SET Awards 2013" by Stock Exchange of Thailand (SET) and Money and Banking magazine.

## SET Awards

(Outstanding Corporate Social Responsibility)

Received **"Outstanding Corporate Social Responsibility Awards"** (SET market capitalization of over Bath 10 billion) for the second consecutive year (2012-2013), during award ceremony of "SET Awards 2013" by Stock Exchange of Thailand (SET) and Money and Banking Magazine



Phatra

## Finance Asia

- 2013** Country Awards - Best Private Bank, Best Equity House, Best Investment Bank
- 2013** Country Awards - Best IPO in Asia BTSGIF Infrastructure Fund USD 1.4 billion
- 2013** Country Awards - Best Thailand Deal Bank of Tokyo-Mitsubishi UFJ USD 5.6 billion offer for Bank of Ayudhya PCL
- 2012** Country Awards - Best Private Bank, Best Investment Bank, Best Equity House
- 2011** Country Awards - Best Investment Bank, Best Equity House

## IFR Asia

- 2013** IFR Asia - Asia Equity Issue of the Year (BTSGIF IPO)
- 2013** IFR Asia - Thailand Equity Issue of the Year (BTSGIF IPO)

## The Asset

- 2013** Triple A Country Award - Best Investment Bank, Best Equity House, Best Deal - The Bank of Tokyo-Mitsubishi UFJ Limited's USD 5.6 bn offer for Bank of Ayudhya PCL
- 2012** Triple A Regional Deal Award - Best Secondary-PTTEP
- 2011** Triple A Country Award - Best Investment Bank
- 2010** Triple A Country Award - Best Investment Bank
- 2009** Triple A Country Award - Best Merger and Acquisition House
- 2008** Triple A Country Award - Best Equity House, Best Merger and Acquisition House

## SAA

- 2012** Securities Analysts Award - Best Research House of the year (Institutional Clients), Best Finance Analyst (Institutional Clients), Best Resources Analyst (Institutional Clients), Property and Construction Materials Analyst (Institutional Clients), Agro & Food Analyst (Institutional Clients), Services Analyst (Institutional Clients)
- 2011** Securities Analysts Award - Best Research House of the year (Institutional Clients), Medium & Small Capitalization Analyst, Best Telecommunications Analyst

# Financial Highlights

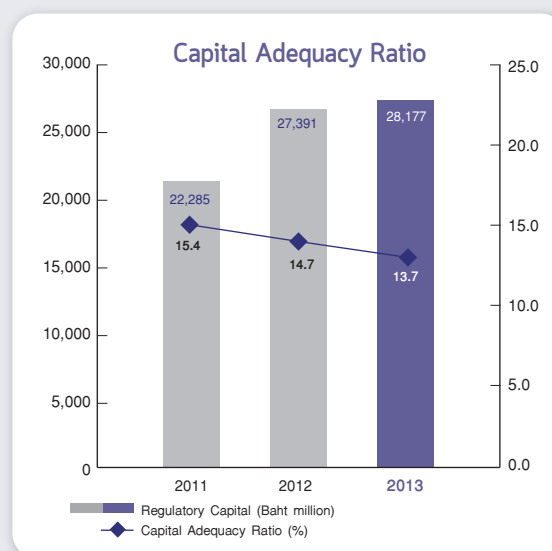
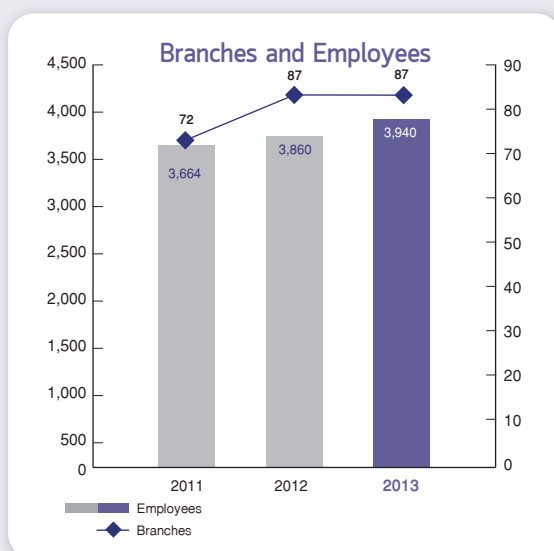
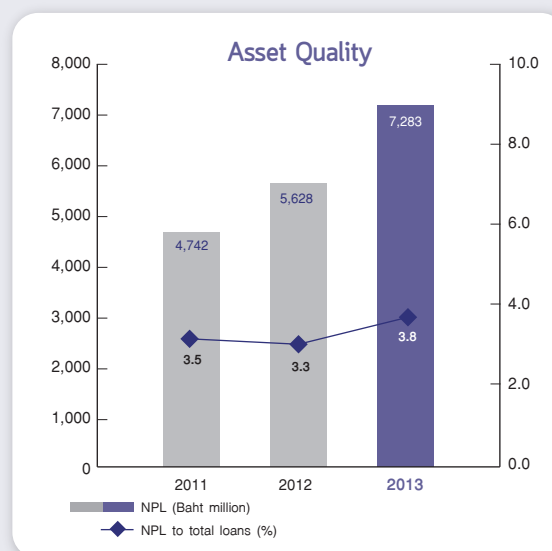
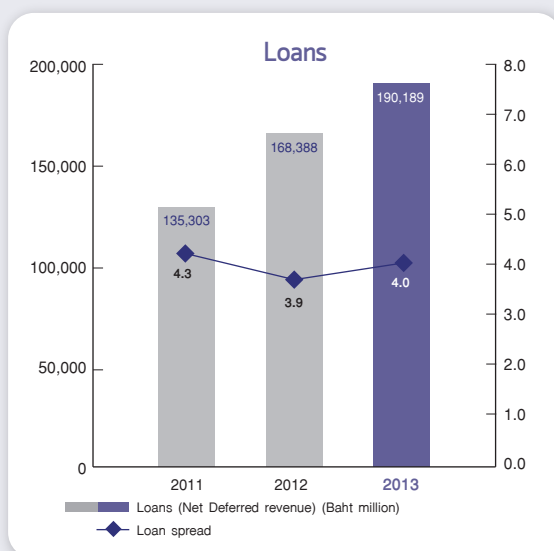
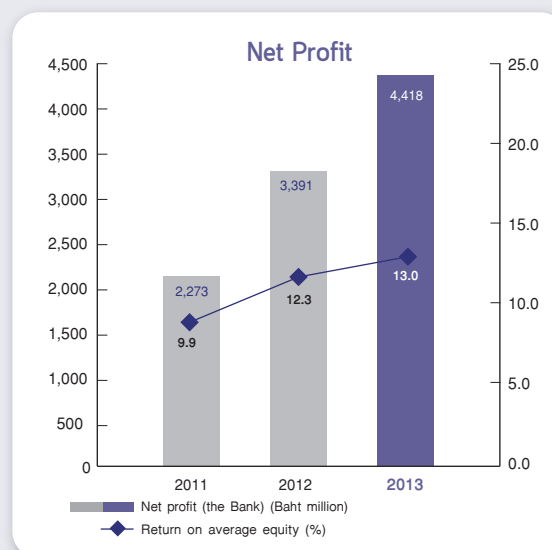
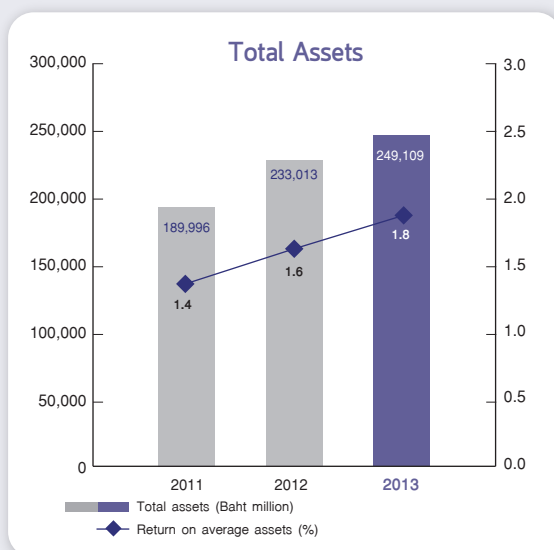
## The Consolidated Financial Statements

(Baht Million)

	2011 (Restated)	2012 (Restated)	2013
<b>Financial Position</b>			
Investment in receivables (net)	5,292	4,726	3,885
Loans (net Deferred revenue)	135,303	168,388	190,189
Allowance for doubtful accounts & troubled debt restructuring	(5,120)	(6,172)	(7,275)
Total assets	189,996	233,013	249,109
Deposits	69,040	153,027	145,996
Debt issued and borrowings	86,013	29,123	42,569
Total liabilities	165,731	199,815	213,965
Total equity	23,885	32,898	34,944
<b>Comprehensive Income</b>			
Net interest income	6,476	7,113	8,347
Fees and services income (net)	1,419	2,281	4,357
Gain from sale of foreclosed assets	1,245	1,224	(55)
Total operating income	9,530	11,518	14,211
Total operating expenses	4,831	5,929	6,579
Impairment loss of loans and debt securities	1,278	1,555	2,240
Profit from operating before income tax expenses	3,421	4,033	5,391
Net profit (attributable to equity holder of the Bank)	2,273	3,391	4,418
<b>Financial Ratio</b>			
			(%)
Return on average equity	9.9	12.3	13.0
Return on average assets	1.4	1.6	1.8
Loan spread	4.3	3.9	4.0
Loan to deposit and borrowing	87.6	92.8	101.2
NPL to total loans	3.5	3.3	3.8
Loan loss reserve to NPL	108.4	109.8	100
Cost to income ratio	51.3	51.1	47.4
Capital Adequacy Ratio	15.4	14.7	13.7
<b>Branches and Employees</b>			
Branches	72	87	87
Employees	3,664	3,860	3,940
<b>KKP Share Information</b>			
Share price - High (Baht)	39.50	50.00	71.25
- Low (Baht)	25.75	30.00	36.00
- Close (Baht)	32.00	48.50	37.25
- Average (Baht)	33.27	39.00	52.87
No. of share outstanding (1,000 shares)	634,329	832,831	838,833
Market Capitalization (Baht million)	20,299	40,392	31,247
EPS - Basic (Baht)	3.59	4.88	5.29
- Diluted (Baht)	3.57	4.85	5.25
PE ratio (time)	7.61	13.44	7.01
PBV ratio (time)	0.91	1.21	0.92
Book Value per share (Baht)	38.3	39.9	42.2
Dividend per share (Baht)	2.40	2.40	2.65*
Dividend payout (%)	53.3	58.9	50.0
Dividend yield (%)	7.50	4.95	7.11
<b>Credit ratings by TRIS Rating Co., Ltd.</b>			
Company rating	A-	A-	A-
Rating Outlook	Positive	Positive	Positive

\* Dividend payment for the year 2013 at the rate of Baht 2.65 per ordinary share, the interim dividend of Baht 1.00 per ordinary share was paid on September 27, 2013, while the remaining Baht 1.65 per ordinary share will be proposed to the meeting of the ordinary shareholders on April 24, 2014









## Message from the Board of Directors

Kiatnakin Phatra Financial Group (“the Group”) emerged from a business collaboration between Kiatnakin Bank Public Company Limited and Phatra Capital Public Company Limited, following a proactive vision on corporate synergy achieved from this merger. Such corporate synergy not only accelerates our Group’s business acumen, but also provides a solid business foundation for us to actively support the economic sustainability of the Thai economy, in all market segments. It also enables us to appropriately respond to the continual developments in the capital market. We emphasize on a balanced combination of technical proficiency, innovations in product and service, and the ultimate desire to well serve our client’s diversified demands. The stability of our earnings has been achieved via the strengthening of a more balanced income structure; a proper distribution between interest incomes and non-interest incomes among various business units. To fulfill our purpose and achieve our vision, we abide by the values of being a **“Specialized Bank”** that leverages on high-proficiency, business talent, and a unique brand-image.

The business merger was concluded on September 12, 2012. During the past year the Group marched forward with strong confidence, as we perceived that the Thai financial market is resilient, but still in agony over high economic costs, and less than a fully- fledged financial market that can well respond to the financial needs of various market segments. Lack of diversity in financial services also limits systemic risk management capability. Thus, we intend to fulfill such needs and lacks in both money and capital markets by pioneering financial products and services, as well as expand its service coverage to cover all client bases. In the meantime, we initiated our management structure transformations, fostered a culture of good governance and business ethical standards, developed comprehensive policies, and streamlined the operational process to well accommodate our 2 core businesses which are the commercial banking business and the capital market business.

To name a few, our important changes in 2013 included:

1) Organization restructures; adjustments and additions of top management positions to be in line with targeted business directions, as well as recruiting various new personnel with potential, skills, and proficiency.

2) Establishing two new business units in the banking line which are Financial Markets and Corporate Banking to enhance customer service efficiency, particularly the large corporate with listing status that are the existing capital market customers of Phatra Capital Public Company.

3) Development of a complete range of financial products and services to fulfill the needs of our targeted customers such as debt instruments, derivatives, and structure products. We also launched a new hire-purchase product known as “Jam Jaew” towards the end of the year. This innovative hire purchase product offers our customers both the credit flexibility and the “cash flow-friendly” features. Additionally, the financial synergies between our commercial and investment banking operations, as well as the cooperative efforts among Kiatnakin Bank and other members of our Kiatnakin Phatra Financial Group; namely Phatra Wealth Management, Phatra Edge, KKTRADE, and Phatra Asset, have been continuously progressing and has achieved in providing our valuable clients with state of the art integrated financial and investment solutions.

To commensurate our comprehensive operation strategies, business directions, and diversified business dimensions, we decided to change our ticker symbol to “KKP” since August 1, 2013. Our registered name listed in the Stock Exchange of Thailand remains “Kiatnakin Bank Public Company Limited”. We still keep our brand name capital in each of our business entities, but have merely changed the name of the Kiatnakin Securities Company Limited to KKTRADE Securities Company Limited to accentuate its business focus on online stock trading, and have changed the name of the Kiatnakin Fund Management Company Limited to Phatra Asset Mangement Company Limited.



Clearly, this successful merger brings benefits of a growth in customer base, resulting from supportive efforts within Kiatnakin Phatra Financial Group; Kiatnakin Bank with clients' deposit accounts, and Phatra with wealth management proficiency. The synergy thereof enables the Group to better serve our clientele with a full range of products to help them achieve their ultimate financial goals via asset management services, and investment options in instruments such as stock, mutual fund, and fixed income securities. This synergy enhances sustainable revenue growth and income source diversification, as well as creates a more balanced income structure that does not depend heavily on either interest or on non-interest income. Our non-interest income proportion is the highest in the industry at 45% of the total income. The impressive income structure reflects our business wisdom in running a **"Specialized Commercial Bank and Investment Banking"** financial institution. In 2013, our Group recorded its net profit of Baht 4,418 million, or an increase of 30.3%, out of which Baht 2,618 million was contributed to commercial banking business, and Baht 1,800 million was contributed to capital market business. In term of net revenue, commercial banking business generated 73%, and capital market business generated 23%.

Despite the downward revisions to growth forecasts for the Thai economy in 2014, our Group is determined to drive "quality growth" with continued prudence and capitalize on business potentials, with less dependency on the brick-and-mortar branch network, which is our current limitation, and more on risk management skills. We are committed to continually foster innovation and business development to transform our organization into a banking institution with multidimensional approaches; namely qualified staffing, talent development, innovative branch network, strategic alliances to effectively scale up financial services, as well as well-diversified and comprehensive product and service improvement that satisfies our target clientele.


During our 40 years of long continued efforts to maintain business sustainability and adhere to the corporate governance, we have committed to assure all our stakeholders of our responsibility and accountability to professional ethics and best practice standards. We abide by such ethics and standards whilst remaining concerned about maximized benefits of all shareholders and stakeholders. Our commitments on good governance, ethical practice, and corporate social responsibility enable our Group to be continually recognized by the authorities and regulators as well as leading media at home and abroad.

We, Kiatnakin Phatra Financial Group, would like to express our gratitude to all our shareholders, customers, and business alliances for their constant support and consistent confidence. We also would like to thank our management and staff whose dedicated efforts have made us truly the **"Banking for the Success of our Clients and Sustainable Benefit of the Society"**.



**Mr. Supol Wattanavekin**

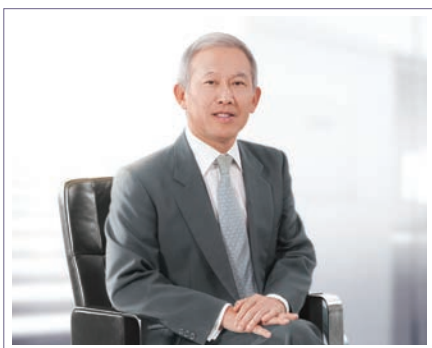
Chairman of the Board of Directors



**Mr. Banyong Pongpanich**

Chief Executive Committee

## Board of Directors



- Mr. Supol Wattanavekin -  
Chairman



- Mr. Pichai Dachanapirom -  
Independent Director



- Assoc. Prof. Manop Bongsadadt -  
Independent Director



- Mr. Chet Pattrakornkul -  
Independent Director



- Mr. Pravit Varutbangkul -  
Independent Director



- Dr. Anumongkol Sirivedhin -  
Independent Director





**- Mr. Pongtep Polanun -**  
Independent Director



**- Mr. Tarnin Chirasoonton -**  
Director



**- Mr. Suraphol Kulsiri -**  
Director



**- Mr. Suvit Mapaisansin -**  
Director



**- Mr. Banyong Pongpanich -**  
Director



**- Mr. Aphinant Klewpatinond -**  
Director



**- Mr. Krittiya Veeraburus -**  
Director



**- Miss Thitinan Wattanavekin -**  
Director



**- Mr. Pracha Chumnarnkitkosol -**  
Director

## Executive Committee



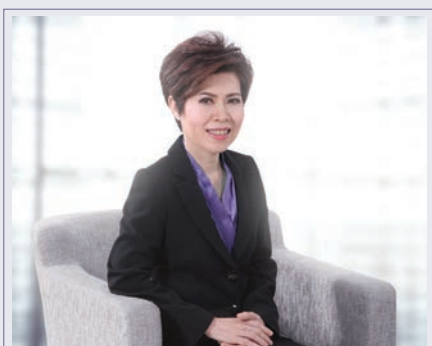
**- Mr. Banyong Pongpanich -**  
Chairman of Executive Committee



**- Mr. Aphinant Klewpatinond -**  
Director



**- Mr. Krittiya Veeraburus -**  
Director



**- Miss Thitinan Wattanavekin -**  
Director



**- Mr. Pracha Chumnarnkitkosol -**  
Director



**- Mr. Suvit Mapaisansin -**  
Director





## Development of “Kiatnakin Phatra Financial Group”

Kiatnakin Bank and Phatra Capital PCL. completed the merger on September 11, 2012 to synergize our business expansion and pursue the achievement of operational excellence in each of the core businesses of the Bank and Phatra with the aim to combine banking expertise and capital market proficiency.

In 1971, Kiatnakin Finance and Securities Company Limited was established with Baht 10 million registered capital. The company operated in the finance and securities business and was listed in the Stock Exchange of Thailand in 1988 before its transformation to a public company in 1993. Eventually, the company separated its finance activities from its securities business in 1999.

The company experienced both the glorious time of the financial boom and suffered the slumps of several severe economic crises especially that of 1997. In the aftermath of the 1997 financial crisis, it was one of the 57 finance companies that were forced to temporarily discontinue its operation. However, with its perseverance commitment and all the support from its alliances such as shareholders, customers, management, and employees who have been working dedicatedly, the company became one of the only two companies which were granted the permission by the Ministry of Finance to resume its operations in 1998. The company survived the crisis and grew steadily. Later it was granted permission to operate a banking business. Kiatnakin Bank Public Company Limited (“the Bank”) began to officially operate as a commercial bank on October 3, 2005

On July 12, 2011, the Bank bought 60% shares of Siam City Asset Management Company Limited from the Government Pension Fund in order to increase its potential in the wealth management business. The company's name was then changed to “Kiatnakin Fund Management” (KK-Fund).

Under severe competition in the Banking and Finance sector and the increased liberalization and deregulation of the financial market, the Bank thus declared its merging decision with Phatra Capital Public Company Limited (“Phatra”) in late 2011 to synergize its business expansion and pursue the achievement of operational excellence in each of the core businesses of the Bank and Phatra with the aim to

combine their relevant banking expertise and capital market proficiency. The merger was accomplished in September 11, 2012, after the Bank acquired 99.93% share of Phatra from its former shareholders, according to the swap ratio of 1 share of Phatra to 0.9135 share of the Bank, according to the merger and acquisition plan approved by the general shareholder's meeting in year 2012.

Moreover, on September 28, 2012, the Bank increased its shareholding in Kiatnakin Fund Management Company Limited (“KK-Fund”) to 99.9% and transferred all of its shareholdings in KK-Fund and Kiatnakin Securities Company Limited (“KKS”) to Phatra on December 28, 2012 and January 2, 2013 respectively. The “Kiatnakin Phatra Financial Group” (“the Group”) has emerged to provide Commercial Banking business and Capital Market business. After which, KK-Fund and KKS have been renamed to Phatra Asset Management Company Limited (“Phatra Asset”) and KKTRADE Securities Company Limited (“KKTRADE”), respectively.

### Strategy

For long-term strategy, the Bank will focus on businesses it has expertise on while enhancing on its competitiveness through the development of a wide range of financial and investment products to serve target client needs. To accomplish this, the Bank plans to continue working on business innovations, creating synergies within the Kiatnakin Phatra Financial Group, and expanding into new businesses to enhance its full banking operations capabilities.

The Bank plans to enhance on its service quality and respond more effectively to different client needs through variety of channels. The Bank will also continue to enhance its internal business process including risk management and monitoring and control efficiencies. For organizational development, the Bank will focus on information system,



human resources development and strengthening its corporate culture.

The Bank will focus on organizational development of five main areas:

- 1) Flexibility: To be a highly flexible organization in order to be able to respond to various customers needs
- 2) Speed: To be able to service the clients quickly with its precise decision making process
- 3) Innovation: To be an innovative organization with a continuous product and process development to be in line with the market trend
- 4) Quality: To be an organization with a well resourced management in the aspects of human resource management, capitals, and information systems
- 5) Efficiency: To be an effective organization by controlling its operating cost to a competitive level

## Major Development

### • Year 2011

The Bank continued to focus on its development in order to build the stability for its future business. The Bank bought 60% shares of Siam City Asset Management Company Limited from the Government Pension Fund on July 12, 2011. The company's name was then changed to "Kiatnakin Fund Management". KK-Fund focuses on bringing its expertise in strategically developing products and services to reach its high net worth customers' satisfaction.

Later on December 9, 2011, the Bank announced its merger with Phatra to substantially increase its competitiveness in the wealth management business, securities business and investment banking business. The merger also increased the Bank's potential and opportunity to pursue a new business endeavor in the future.

### • Year 2012

#### • The Accomplishment of the merger with Phatra

Referring to the merger plan between the Bank and Phatra approved by the Bank's shareholder's meeting 2012 on April 26, 2012, the Bank made the Tender Offer for securities of Phatra from all Phatra shareholders during the tender offer period from August 7 - September 11, 2012 (total 25

business days) in order to delist all the Phatra's securities from the Stock Exchange of Thailand at the share swap ratio of 1 share of Phatra for 0.9135 share of the Bank under the condition that, at the end of the tender offer period, Phatra shareholders accepting the tender offer shall represent not less than 75% of the total number of shares sold of Phatra. Moreover, if the transaction results that more than 90% of Phatra's total shares are sold, the Bank will entirely transfer its shares of Kiatnakin Securities Co., Ltd, (KKS) at the book value and shares of KK-Fund at the acquisition price of KK-Fund to Phatra.

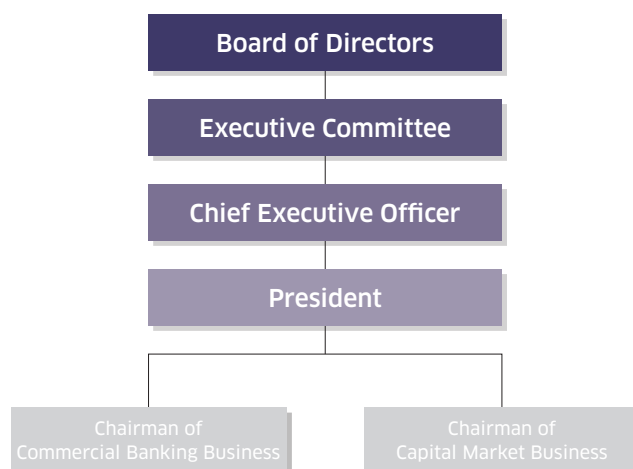
The merger was successful with the result of the Tender Offer totaling 99.93% of total shares of Phatra accepted the Tender Offer, therefore the registered and paid-up capital of the Bank increased by 191,979,745 shares, started trading on September 25, 2012, when Phatra's securities were formally delisted from the Stock Exchange of Thailand.

Additionally, the Bank completed the additional share purchase of 40% of total issued and paid-up of KK-Fund shares from the Government Pension Fund in accordance with the Board of Directors Meeting No.7/2012, on September 7, 2012. The transaction was completed on September 28, 2012 when total Baht 63 million cash was settled in exchange for the KK-Fund shares of total 4.8 million shares. There was a record of goodwill totaling Baht 19 million from this transaction. Therefore, the Bank holds 99.9% of KK-Fund. Thereafter, the Bank transferred the shares of KK-Fund and KKS to Phatra on December 28, 2012 and January 2, 2013 respectively in accordance with the merger plan.

### • Year 2013

#### • Business Supervision and Management

After the merger, the management structure of the Bank and Phatra will target on the cooperation of both the commercial banking business and the capital market business including existing businesses and any new businesses. The Group will utilize the positive potential of both companies to maximize the economic value to the benefits of the overall organization.



The structure of the management and supervision comprises of

1) Board of Directors consist of 15 directors, responsible for determining the policy and strategic directions of the Bank and companies under its supervision

2) Executive Committee is responsible for determining the policy, strategic plan, and operational goal of the Bank and companies under its supervision, and also set the business plan and annual budget of the Group to be proposed to the Board of Directors of the Bank.

3) Management of the Group consists of

1) Chief Executive Officer (CEO) is responsible in all aspects assigned by the Executive Committee. CEO's power and responsibilities include defining business plan details and supervising the President and the Chairmen of the Bank and executives of the Bank and subsidiaries under the consolidated supervision to ensure that operation in all aspects is achieved in accordance with the policy, business plan and target, as well as the annual budget.

2) President is responsible for the overall operation of banking and capital market businesses

3) Chairman of Commercial Banking Business is responsible for banking business.

4) Chairman of Capital Market Business is responsible for capital market businesses; Phatra Capital, securities companies and asset management company in the Group.

#### • The Group rebranding

KKS has been renamed to KKTRADE to reflect its business model focusing on providing trading services to individual clients while Phatra Securities Public Company Limited (PSEC) focuses on providing full range of securities brokerage services to institutional customers and high-net-worth individuals.

KK-Fund has been renamed to Phatra Asset to be consistent with the management structure of the capital market business of the Group.

The Bank has launched the new branding of the Group and has also replaced the stock trading ticker from "KK" to "KKP" effective from August 1, 2013 onwards.

#### • New business expansion and restructuring

The Bank has established 2 new businesses; Financial Market and Corporate Banking Group to enhance its full banking operation capabilities. The Financial Market group is in charge of financial market product development; fixed incomes, derivatives and exchange rates, to offer a variety of services to both the Bank and capital market clients. The Corporate Banking group is responsible for providing credit facilities and financial services to large companies with strong financial status in order to enhance the utilization of the bank capital and also to diversify the Bank's concentration risk from its existing core businesses dependency.

Moreover, the Bank has reorganized through new division establishments; process and product improvement



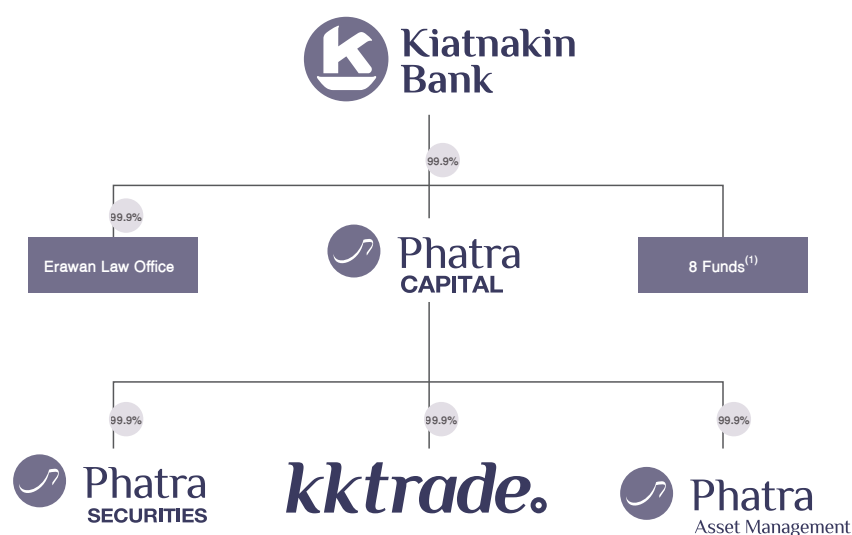
and alternative channel division and credit analysis division, in order to enhance business support and credit control system capabilities.

#### Kiatnakin Phatra Financial Group Structure

- **Share holding structure of the Group**

Kiatnakin Bank (“KK” or “the Bank”) is the parent company of the Group, operating commercial banking and holdings in Phatra Capital, a holding company holding

shares in securities companies i.e. Phatra Securities Co., Ltd., KKTRADE, and Phatra Asset undertaking fund management business. Erawan Law Office Co., Ltd. is a subsidiaries company of the Bank, supporting legal services to companies in the Group. Additionally, Kiatnakin Bank also holds units trust in eight mutual funds for resolving financial institution problems. The shareholding structure of the Group is presented as follows;



<sup>1</sup> Asia Recovery Fund 1 (99.95%), Asia Recovery Fund 2 (99.59%), Asia Recovery Fund 3 (99.97%), Thai Restructuring Fund (98.91%), Asia Recovery Property Fund 1 (99.52%), Asia Recovery Property Fund 3 (98.77%), Bangkok Capital Fund (95.72%), and Gamma Capital Fund (94.03%)

# Business Operations

## Kiatnakin Phatra Financial Group Structure

After the completion of the merger between the Bank and Phatra, the Group divided into 4 main business groups, which are 1) Commercial Banking Business, 2) Capital Market Business, 3) Priority Banking Business, and 4) Special Asset Management Business.

## Revenue Structure of the Group

The consolidated financial statements included Phatra and Phatra Securities financial performance since September 12, 2012 onward. The revenue structure of the Group in accordance with the consolidated financial statements for the last three years ended December 31, are as follows;

	2011		2012		2013	
	Baht million	%	Baht million	%	Baht million	%
Interest income	11,296	118.5	14,452	125.5	15,809	111.2
Interest expense	4,821	50.6	7,339	63.7	7,462	52.5
<b>Net interest income</b>	<b>6,476</b>	<b>68.0</b>	<b>7,113</b>	<b>61.8</b>	<b>8,347</b>	<b>58.7</b>
Fees and services income	1,573	16.5	2,573	22.3	4,838	34.0
Commercial Banking business	1,071	11.2	1,429	12.4	1,598	11.2
Capital Market business	450	4.7	1,035	9.0	3,034	21.3
Others	52	0.5	108	0.9	206	1.4
Fees and services expense	154	1.6	292	2.5	481	3.4
<b>Net fee and service income</b>	<b>1,419</b>	<b>14.9</b>	<b>2,281</b>	<b>19.8</b>	<b>4,357</b>	<b>30.7</b>
Gain (loss) on trading and foreign exchange transaction, net	(12)	(0.1)	226	2.0	443	3.1
Gain on investment	180	1.9	443	3.8	637	4.5
Gain from sales of foreclosed assets	1,245	13.1	1,224	10.6	(55)	(0.4)
Dividend income	55	0.6	23	0.2	206	1.4
Other operating income	167	1.8	209	1.8	276	1.9
<b>Total operating income</b>	<b>9,530</b>	<b>100.0</b>	<b>11,518</b>	<b>100.0</b>	<b>14,211</b>	<b>100.0</b>



## Nature of Products and Services

Commercial Banking Business comprises of

### 1. Retail loans

Retail loan is operated by the Bank's Retail Banking Group, focusing mainly on providing financial services to retail customers who are private individuals. The major products and services are as follows;

#### 1.1 Auto Hire Purchase

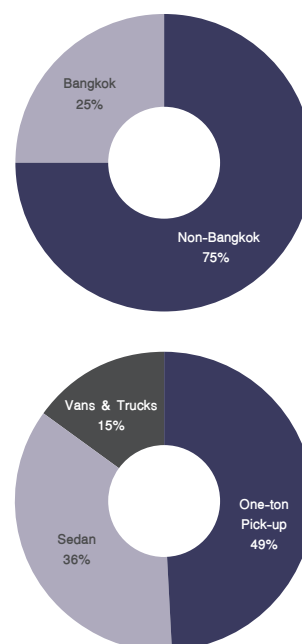
The Bank provides all types of motor vehicles hire purchase services that include new and used automobiles, passenger cars, multi-purpose vehicles, and commercial vehicles, for individuals and corporate entities. Under a normal hire purchase scheme, the hirer initially pays a certain sum of down payment for the vehicle purchase, and makes subsequent equal installment payments to the Bank for the amounts as prescribed in the hire purchase agreement. During the hire purchase period, the Bank shall maintain its legal ownership over the hire purchased assets. Once all the prescribed installments are settled in full, the ownership thereof shall thus be transferred to the hirer. The hire purchase term usually ranges from 12 - 84 months with a fixed interest rate charged according to the prevailing market rate as at the date of the hire purchase agreement.

Moreover, the Bank also offers other related automobile services such as annual motor vehicle tax payments, application for vehicle licenses, car insurance and payments of other related automobile taxes. Its service provision covers the Bangkok metropolitan area and other provincial areas.

Hire purchase activities are the Group's major line of business which continues to grow, and accounts for 70.2% of its total lending portfolio. The hire purchase credit grew 9.8% from Baht 122,093 million as of December 31, 2012 to Baht 134,029 million as of December 31, 2013. The hire purchase ratio of new automobiles to used automobiles was 53 to 47 in 2013.

The Bank continues to expand its hire purchase business with the focus on the promptness and effectiveness of the services, and strict credit controls on the loan quality. The interest rates applied for hire purchase activities are in the same level as prevailing market rates and in proportion with the length of installment periods.

Breakdown of hire purchase loans portfolio  
by geography and types of car



#### 1.2 Personal Loan

Personal loan business involves multi-purpose loans extended to existing hire purchase clients with good credit status and repayment records to support their liquidity needs. The maximum loan limit is at five times the client's monthly income amount, with a maximum repayment period of 48 months. The personal loan comprises of two facility types; term loan and revolving loan.

A term loan is an unsecured multi-purpose lending with a scheduled repayment term and quick loan approval process granted to support borrower's liquidity needs. A revolving loan is a loan facility of which the cash amount can be transacted by using the Bank's KK Cash Card and the withdrawals can be made directly via the ATM Pool. The repayment conditions and the minimum installment amounts are prescribed by the Bank.

#### 13. Housing Loan

A housing loan is credit extended to finance homebuyers, mostly for purchase of land property, houses, and units in residential buildings. The financing is limited by the coverage of only within the Bangkok Metropolitan area and its vicinity, and in Chonburi Province. The Bank signed a memorandum of understanding with the Secondary

Mortgage Corporation (SMC) on the funding arrangement for the Bank's fixed rate housing loan activities via securitization schemes, under which certain parts of the Bank's portfolio on housing credit were purchased by the MSC.

Moreover, the MSC and the Bank also cooperated with real estate companies to provide housing loans for homebuyers in their housing estate projects. In 2012, the Bank sold the housing loan to SME totaling Baht 1,003 million.

#### 1.4 Micro-SMEs Loans

Micro-SMEs loan is credit extended to finance small and medium sized enterprises in business sectors such as the service industry, and wholesale and retail business. The credit granted to these entrepreneurs can possibly be on the basis of individual lending and/or lending to business entities. There are various types of facilities for this lending category such as a business working capital line, O/D, and business expansion loans. In general, these facilities can be classified into a clean loan and a secured loan.

#### 1.5 Retail Deposit

The Bank provides deposit services to its retail customers; both individual and corporate entities. There are three types of deposit accounts; current, saving and fixed deposit accounts. The Bank focuses on providing acceptable deposit yields and consistently develops new products and services that well serve its clients' needs and enhance their satisfaction.

#### 1.6 Car Cash

This credit scheme offers a term loan collateralized by the pledge of an automobile as the loan security by transferring the ownership of such automobile to the Bank. The target customer groups for this credit product are both borrowers who used to be the Bank's hire purchase customers and any new customers.

#### 1.7 Bancassurance

The Bank also acts as an insurance broker, or "Bancassurance", whereby it uses its sales channel to sell life and casualty insurance products. It cooperates with its business alliances or leading insurance companies that are well known for their innovative policy design and wide range of insurance coverage, to provide suitable insurance policies for the Bank's hire purchase customers. The Bank's insurance sales include insurances for all vehicle types, as well as "Car Shield" or a

comprehensive insurance policy that covers the full payment of hire purchase obligations upon the hirer's death.

#### 1.8 Car Auction

The Bank holds a monthly used car auction for the cars that it has possessed from customers at two of its auction centers which are located on the Bangna-Trat Highway (the 8<sup>th</sup> Km.) and in Udon Thani Province. Moreover, the Bank also offers other related automobile services such as annual motor vehicle tax payments, and applications for vehicle licenses.

In 2011, the Bank's auction centers were the very first car-auction centers to be accredited with ISO 9001:2008 thanks to its high standard integrated full service capacity that offers a qualified choice service to the public.

### 2. Commercial Lending

At the end of 2013, Commercial lending portfolio was accounted for 25.9% of total loans, and comprised of two major loan products; real estate development loans, accounted for 15.0% of the Bank's total lending, and SMEs loans accounted for 11.0% of the Bank's total lending portfolio. The details of these credit products are as follows:

#### 2.1 Real Estate Development

The Bank provides real estate credit to property development companies and real estate developers; both medium and small sized developers within Bangkok and in the provincial areas. The Bank is equipped with the qualified credit teamwork and technical specialists that are capable of providing a full range of services including technical advisory services on engineering works, construction, architectural designs, research and development information, as well as regulations and legal matters. The Banks also has a network that can provide customer support on advertising, public relations, and project management. This support can help enhance its customers' business potentials.

Real estate lending is a credit scheme facility that requires project finance skills and clear understanding of the development purpose of the projects. The Bank concentrates on facilitating its customers with its timely approval processes, suitable types of loan facilities, an adequate loan amount, and appropriate repayment schedules that suit the customer's anticipated cash flow scheme.

As of December 31, 2013, the Bank's real estate lending was Baht 28,537 million expanding 39.6% from

the prior year. The portfolio comprised of credit for housing estate and town house projects (74%), condominium projects (24%), and others (2%)

## 2.2 SMEs Loan

The Bank provides SME loans mainly to businesses in the motor vehicle and real estate industry. The Bank's SME loans at the end of year 2013 was Baht 20,897 million, increasing 10.8% from the end of year 2012. The SME loan details can be summarized as follows:

### 2.2.1 Apartment Lending

Apartment lending is a credit extended to finance entrepreneurs who operate rental apartments, service apartments, rental of residential units, and dormitories; both for new investments and for renovation work. The Bank has its team of architectures and engineers who can offer advice on standard construction plans and standard construction work for the projects.

The Bank's target customers for these credit products are the landlords of property in promising locations who want to develop their property for residential rental purpose, and existing owners of dormitories or apartments who need additional financing for their business expansion or renovation purposes.

### 2.2.2 Logistics Lending

Logistics lending is a credit extended to finance logistic activities, which includes transportation of cement, oil, container boxes, automobiles, vehicles spare parts, etc. The Bank offers various credit types such as a hire purchase scheme for owners of a car rental fleet, hire purchase companies for trucks and lorries, and towing trucks with two or more trailers. Other facilities for logistic lending are term loans for land purchase and building construction, and working capital facilities.

### 2.2.3 Floor Plan Lending

Floor plan lending is a credit extended to finance both new and used car dealers, to support their working capital requirement. The Bank's credit products include working capital lines, long term loans, and L/G and O/D lines. The credit purposes are to support their business operations and long term expansion plans.

### 2.2.4 Printing and Packaging Lending

Printing and packaging lending is a credit

extended to finance printing and packaging businesses. Packaging includes paper and plastic packaging. The Bank's credit products include loans for factory expansion and machinery purchase, secured revolving facilities, credit for refinancing, and trade finance for imported materials.

### 2.2.5 General Business Lending

This Lending is in support of businesses that are related to the construction industry for the purchase of machinery. It consists of revolving credit lines, long term loans and re-financing loans for building factories and manufacturing of construction materials.

## 3. Corporate Banking

The Corporate Banking Group was formed in the second half of 2013 after the merger with Phatra. The purpose was to maintain the synergies created from the Group using business relationships that Phatra had with companies registered of the SET and other major companies when they were providing Investment banking, financial consultancy and raising capital through sale of assets, other financial and investment services. This is done in conjunction with the Bank's experts offering credit facilities, with the aim of branching out into other types of businesses and diversifying risks outside those of automobile hire purchase and real estate.

The Corporate Banking Group is responsible for offering credit facilities to registered companies and also other companies under the Lending Policy of the Bank. This does not include businesses in real estate, printing and packaging and floor plan which are already being managed by Commercial Lending Group.

Corporate Banking aims to provide a full range of financial services and instruments that the customer would require. Our target market is registered companies, the subsidiaries and their affiliates, non-registered major companies and multi-national companies. Our credit services include revolving credit line (working capital), project finance, loan syndication, loan for business expansion and other credit products that evolve with the financial and money markets.

Corporate Banking will work as a team coordinating with Phatra's money market team and other departments to be able to offer various financial services to the customer,



leading to a broader and deeper understanding of the targeted businesses. Together with the finance and capital markets, the Bank would be able to research and select targeted customers by giving the appropriate finances, with a medium term target of building a portfolio suitable for the Bank. It will provide growth in assets and revenues and also broaden the revenue base and diversify risks, especially in respect to strategy and clustering of the Bank's credit to any one business sector.

#### 4. Financial Markets

The Financial Markets Group was set up in the first quarter of 2013 with the duty to provide services and consultancy to customers dealing with financial instruments such as Foreign Exchange, debt instruments and warrants, in order to help manage risks against foreign exchange and interests.

The finance market in Thailand is extremely competitive between Thai commercial banks, foreign banks and other financial institutes that are doing business in Thailand. During the past year, we have increased our competitiveness by hiring staff well-skilled in managing financial products, increased our technology potential, and improved our operations so as to make the Bank competitive with our Thai banks.

#### Capital Market Business

This business is under the operations of the subsidiaries of the Bank, comprising of Phatra Capital Co., Ltd. (Phatra), Phatra Securities Co., Ltd. (PSEC), KKTRADE Co., Ltd. (KKTRADE), and Phatra Asset Management Co., Ltd. (Phatra Asset), and can be divided into 4 main areas:

##### 1. Agency Business

PSEC and KKTRADE are brokers for trading of stocks and futures registered with the Security Exchange of Thailand (SET), Market for Alternative Investment (mai), and Thailand Futures Exchange (TFEX). PSEC and KKTRADE are registered members of the SET, number 6 and 19 respectively. PSEC is a broker for foreign and Thai institutions and high net worth individuals while KKTRADE is a broker for customers who are individuals.

In 2013, PSEC was ranked 9 in the market share of the SET, accounting for 4.38% of the total trade of SET (excluding

proprietary account). As of December 31, 2013, PSEC had revenues from brokerage fees of Baht 1,379.95 million. The ratio of revenues from institutions and high net worth individuals were 57.64% and 42.36% respectively.

Of the total institutional brokerage fees income earned in 2013, 51.82% were foreign. Merrill Lynch alone accounted for 95.54% of the foreign brokerage fees. In accordance with the securities brokerage and business alliance agreement, Merrill Lynch has agreed to channel at least 80% of its Thailand trades in the house accounts through PSEC in exchange for the agreed brokerage rates.

In respect to trading of securities for large clients (Qualifying Clients), Merrill Lynch will act with reasonable endeavor under the agreed terms and conditions to ensure best execution and value for both company and clients through PSEC. In return, PSEC would receive 60% shares of Merrill Lynch brokerage fees for Thailand. Merrill Lynch is therefore PSEC's largest foreign institutional client (taking into account both house and client business). As part of the agreement, PSEC must obtain consent from Merrill Lynch prior to engaging in any dealing activities with other foreign financial institutions or any other foreign institutions who are a competitor of Merrill Lynch.

Local institutional clients businesses, comprising of asset management companies, provident funds, private funds, government pension funds, the social security office, and insurance companies, accounted for the remaining 48.18% of the total institutional brokerage fees. As of December 31, 2013, PSEC has 44 local institutional clients who transacted at least once in the past year.

PSEC acts as brokers for high net worth individuals using our financial consultants and marketing staff who are registered with SEC in the capacity to advise customers with investment opportunities for SET/mai listed securities, debt instruments, derivatives instruments, and other investment units. As of December 31, 2013, the value of assets under advisory for high net worth individuals was Baht 217,938 million, up from Baht 181,988 million of 2012. PSEC has a customer list of 9,290 accounts, with 4,656 accounts having traded at least once in the past 12 months.

Besides these, PSEC also offers a new service of personal wealth planning and investment to mass affluent clients that have investible assets between 2 and 30 million

Table illustrating the value of securities traded through PSEC, brokerage fees, and market share as of December 31, 2013:

	Local Institutions	Foreign Institutions	High Net Worth Individuals
Total trading values of PSEC (Baht million)	203,492.42	447,269.29	293,629.07
Market Share <sup>(1)</sup> (%)	9.65 <sup>(2)</sup>	8.58 <sup>(3)</sup>	2.09
Brokerage fee (Baht million)	383.25	412.13	584.57
Proportion of brokerage fee (%)	27.77	29.87	42.36

Source : SET and PSEC

1. The market share is calculated based on the figures as collected by PSEC and data released by the SET.

2. The market share of local and foreign institutions is calculated after deducting trading transactions of the Proprietary Account.

3. The market share of foreign institutions of PSEC is divided by transactions of foreigners after deducting transactions of foreign individuals.

Baht using our investment advisors who are registered with SEC in the capacity to advice customers with investment opportunities for the money market and investment units. As of December 31, 2013, the value of assets under advisory for the mass affluent clients was Baht 2,640 million, from a customer list of 311 accounts.

In servicing clients, PSEC offers macro and equity research with a team of 11 analysts covering 67 companies. Our equity research covers an aggregate market value of 79.14% of the market capitalization of the SET. PSEC provides investment advice and trading ideas for clients with dedicated sales and research team. Our research group has teamed up with Merrill Lynch under an exclusive agreement on research co-operation. Under the agreement, PSEC analysts produce research on the Thai economy and politics, as well as SET-listed securities, which are distributed under Merrill Lynch brand whilst PSEC also distributes Merrill Lynch researches on regional and global macro as well as equity to Thailand based clients.

PSEC is a founding member of the Thailand Futures Exchange (TFEX) and Thailand Clearing House (TCH), providing full coverage of all Listed Derivatives in Thailand to institutional client base. In 2013, revenue from brokerage fees from futures trading was Baht 75 million, up from Baht 66 million of the previous year, and a market share of 9.16% (based on the volume of traded contracts) on TFEX.

In addition, PSEC has also been granted a Securities Borrowing and Lending license from SEC in 1999. The license allows PSEC to act as a principal and brokerage agent in stock

borrowing and lending, with a strong client base consisting of both local institutional and individual investors and PSEC's Equity and Derivatives Trading Department. PSEC is able to meet the growing demand and various clients' needs by continuously securing and expanding the supply pool.

KKTRADE is a broker for individual investors, Thai and foreign. Investors are able to trade securities with our marketing officers, in the trading room using both cash and margin accounts as well as through the Internet.

For 2013, KKTRADE was ranked 25th in the market share, accounting for 1.30% of total trading value of SET. As of December 31, 2013, KKTRADE had revenues from brokerage fees in securities trading of Baht 574.1 million and revenues from brokerage fees in futures trading of Baht 47.3 million.

## 2. Investment Banking Business

PSEC is one of the leading investment banks in Thailand, providing financial advisory services and placement of securities to government agencies, state enterprises, and leading companies in Thailand.

Previous examples of our work include the IPO/POs of PTT Thailand PLC, Krungthai Bank PLC, Thai International Airways PLC, Thai Oil PLC, PTT Exploration and Production PLC, Tesco Lotus Retail Growth Freehold and Leasehold Property Fund, Airports Authority of Thailand PLC, Rayong Oil Refinery PLC, Thai Beverage PLC, and BTS Rail Mass Transit Growth Infrastructure Fund.

In 2013, PSEC was able to help companies to raise capital through the SET with a total value of Baht 82,469 million via 2 types of offerings.

## 2.1 Initial Public Offering

Name of The company	Details of the project	Value (Baht million)	Success
BTS Rail Mass Transit Growth Infrastructure Fund (BTSGIF)	Initial Public Offering of investment units	62,510	<ul style="list-style-type: none"> <li>Thailand's first infrastructure fund IPO</li> <li>Thailand's largest IPO</li> <li>Awarded Finance Asia 2013 Country Awards - Best IPO in Asia</li> </ul>
MK Restaurant Group (MK)	Initial Public Offering of common shares	9,107	-

## 1.2 Overnight Offering or Accelerated Global Tender (AGT)

Name of The company	Details of the project	Value (Baht million)	Success
Central Pattana PLC.	Overnight Offering	10,852	-

PSEC plays a major role in the M&A market, advising major corporations in mergers and acquisition transactions, facilitating joint ventures and business alliances, restructuring of businesses, and advising on issuance of financial instruments.

In 2013, we were the financial advisor in multiple mergers and acquisitions transactions including the landmark acquisition of Bank of Ayudhya PLC by Bank of Tokyo-Mitsubishi UFJ which won numerous international awards.

Name of The Company	Details of the project	Value (Baht million)	Success
Bank of Tokyo - Mitsubishi UFJ Limited	Acquisition of Bank of Ayudhya PLC.	170,575	<ul style="list-style-type: none"> <li>Awarded Triple A 2013 Country Awards - Best Deal</li> <li>Awarded Finance Asia 2013 Country Awards - Best Thailand Deal</li> </ul>
Siam Makro PLC.	Independent Financial Advisor to Siam Makro PLC. on the acquisition by CP All PLC.	185,031	-



2013 was a significant year for Thailand's M&A market, which was marked by a number of landmark mergers and acquisitions including inbound M&A, the acquisition of Bank of Ayudhya Bank PLC by Bank of Tokyo-Mitsubishi UFJ in which PSEC was a financial advisor and a major domestic M&A, the CP All PLC acquisition of Siam Makro PLC, which PSEC was the Independent Financial Advisor to Siam Makro PLC.

For 2014, PSEC will place emphasis to grow fee income through the participation as financial advisor in M&A activities and equity offering transactions. We plan to expand our customer base to include mid-sized corporations that were not our previous client and to offer them with tailored product suite. We will continue to offer new and innovative financing solutions to our existing and potential customers via nontraditional products such as infrastructure fund offerings and Real Estate Investment Trusts and to be the advisor of choice to our existing and potential clients. PSEC will also continue to work with Kiatnakin Bank, our partners, and other stakeholders to offer more complete wholesale banking solutions to our clients and monitor the market for opportunities and find potential M&A targets for our corporate clients, both domestically and internationally.

### **3. Investment Business, divided into 3 categories**

#### **3.1 Medium and Long Term Investment**

Medium and Long Term Investment is operated by the Direct Investment Department of Phatra Capital PLC under supervision of the Investment Committee, who will consider and approve each investment and divestment proposed by Direct Investment Department and will also consider the expected rate of return of investment and the risk level. The investment horizon of Direct Investment Department is approximately 3-5 years and the investment covers equity and equity-link, listed and private companies, and also both on-shore and off-shore companies. The Direct Investment Department searches for investment opportunity in company that has strong business model and sustainable competitive advantage, has visible business growth opportunity, has the ability to generate high return on invested capital, managed by capable management, and its share price has yet to reflect its strong fundamental value. In order to evaluate investment opportunity, Direct Investment Department will conduct company visit and management interview. The team will then perform

industry analysis, evaluation of target company's fundamental value, and evaluation of internal control process and corporate governance structure. Finally, the key risk factors and key considerations of the target company will be evaluated to ensure the potential investment return at the appropriate risk level.

In term of risk management, the Direct Investment Department's investment evaluation will not only consider the potential return from investment, but also the risks involve with the business. The investment proposal prepared by Direct Investment will include investment horizon, terms of investment, and also divestment plan. Prior to each investment, the proposal must be approved by the Investment Committee. Once invested, the Investment Committee will assign the Risk Management Department to monitor based on Risk Management Framework on a daily basis. The Investment Committee will be notified or called for meeting to review particular investment once market price of investment exceeds the pre-determined threshold or the holding of such investment exceeds the concentration limit. Also, the market risk assessment will be conducted regularly. In addition, Direct Investment Department regularly monitors business performance of invested companies to re-evaluate investment position. It may also utilize appropriate financial instruments, such as derivatives, for hedging purpose, which will be approved by the Investment Committee.

As Phatra highly emphasizes on the protection of potential conflicts of interest, especially on the use of internal information, it strives to avoid any conflicts of interest between investment of Phatra and PSEC's clients. Thus, Direct Investment Department will be treated equally as one of PSEC's client and has no access to information or research reports that differ from other investors. In addition, policies on usage of internal information, employees' trading activities, and Chinese Wall between entities within Phatra are specified in order to promote transparency and good corporate governance in order to prevent any potential conflict of interest that may occur in the future.

In 2013, the Board of Directors of Phatra Capital set net additional investment line for direct investment to Baht 1,200 million. Nevertheless, the net additional investment line can be adjusted according to the Capital Market Group's business plan or capital market situation. At the end of 2013,

the Direct Investment Department portfolio had market value of Baht 1,597 million. It achieved total return of Baht 47 million, consisting of dividend income of Baht 62 million, realized gain of Baht 559 million, and change in unrealized gain of Baht -574 million.

### 3.2 Equity and Derivative Trading

This investment is operated by the Equity & Derivatives Trading Department of PSEC with currently 3 investment strategies as follows.

#### 3.2.1 Arbitrage Trade

Arbitrage Trade is short-term investment of not more than 1 year in equity and equity-linked listed on the SET and TFEX, notably securities listed in the SET100 index or of minimum Baht 3,000 million market value, futures contracts and options (including their underlying assets), and ETF under Market Neutral principle. Profit is generated from market price discrepancy between underlying asset and its derivative, including securities or derivatives with same underlying asset. The trade is made under investment and risk framework approved by the Investment Committee and the Risk Management Committee to get a return rate specified by the Investment Committee. Trading of securities and/or derivative is made to mitigate risk on overall market price.

#### 3.2.2 System Trade

System Trade is short-term investment of not more than 1 year in equity and equity-linked listed on the SET and TFEX, notably securities that are listed in SET100 index or of minimum Baht 3,000 million market value, futures contracts and options (including their underlying assets), and ETF utilizing information from pricing model and back-test of market price and statistical relationship. The practice aims to define features and opportunities to make profit via the difference or behavior of the price movement. Trading of securities and/or derivative is executed systematically according to the pricing model.

#### 3.2.3 Financial Product and Service

The department issues and offers financial instruments to the investors which currently are equity-linked note, derivative warrant, and OTC derivative. Equity-linked note is a short-term bond which its payoff depends on the underlying asset as stated in the contract. Derivative warrant is a warrant that the department had registered for trading via

SET's direct listing system, including both call warrant and put warrant. OTC derivative is a derivative contract between counterparties which its payoff depends on the underlying asset as stated in the contract. To issue and offer the instrument, the department will evaluate and define purchasing and/or selling price based on related factors in order to generate a proper return rate.

In term of risk management, the Risk Management Committee has set policy upon investment value according to liquidity of invested securities, VaR limit, and accumulated loss limit. The committee also assigns the Risk Management Department of PSEC to monitor investment and report to related parties on a daily basis. In case that investment value or risk level is higher than the defined limits, the Equity & Derivatives Trading Department will reduce the exposure to meet the risk criteria within defined timeframe.

In 2013, the department had total cash limit that was approved by the Board of Directors of PSEC of not more than Baht 5,000 million. The Investment Committee had also set limits within the approved total cash limit for each investment strategy as: maximum Baht 5,000 million for Arbitrage Trade (allow transferring from other strategies due to lower risk nature of Arbitrage Trade), maximum Baht 300 million for System Trade, and maximum Baht 2,000 million for Financial Product and Service (excluding proceeds from Structured notes).

At the end of 2013, the department had net investment totaled Baht 4,205 million, net outstanding equity-linked note of Baht 1,509 million, and net cash usage for investment of Baht 2,696 million.

### 3.3 Short-Term Investment using Hedge Fund Strategy

The strategy is operated by the Hedge Fund Department focusing on short-term investment of not more than 1 year in equity and equity-linked securities by using systematic investment strategy together with quantitative analyzing and risk management to get a return rate specified by the Investment Committee.

In term of risk management, the Risk Management Committee has guideline to monitor and review investment portion, Value-at-Risk, and statistical performance. It also set investment limit as per liquidity of invested securities, and

accumulated loss limit as per the Investment Committee. Once the loss limit is reached, the Hedge Fund Department must stop trading and report to the committee to consider further plan. The Risk Management Department of PSEC is in charging of monitoring and reporting to the management on a daily basis.

In 2013, the department had an initial investment amount approved by the Board of Directors of PSEC of not more than Baht 4,460 million. At the end of 2013, the department had net asset totaled Baht 3,417 million.

#### **4. Asset Management Business**

This business is operated under the Private Fund Management Department of PSEC and Phatra Asset Management. PSEC focuses on private fund management, providing services to ordinary and juristic persons.

Private fund investment policy is set to reflect certain customer's needs and accepted risk level. Fund manager makes investment decisions based on the agreed investment policy.

As of December 31, 2013, there were 107 private funds under management with net asset amounting to Baht 4.3 billion.

PSEC puts clients' interest as the top priority. To ensure that all our customers are fairly treated and any conflicts of interest are duly managed, PSEC's Private Fund Management Department is considered on an arms' length basis, with neither privileges over other customers nor limitations over their business decisions. Thus the department is freely able to trade with other security companies or other entities outside PSEC. The department also conducts its own investment research using its in-house research team. The analysis encompasses top-down studies as well as bottom-up management interviews and financial analysis. Visits are made regularly to government bodies and other authorities, aiming to achieve most useful information for the management of the funds.

Phatra Asset offers fund management services under mutual fund and private fund management license. It provides fund management service to individual and corporate customers who are interested in mutual fund, provident fund, and private fund.

Previously, Phatra Asset had focused on mutual fund and property fund. At the end of 2013, the company had

total net asset under management amounted of Baht 24,725 million, total number of funds are 26 funds.

#### **Priority Banking**

The services provided are including private banking, investment consultation, and selling agent of mutual funds to respond to and satisfy the growing needs of high net worth clients

The Bank integrates a wide range of banking products including various deposit products and investment schemes and offers them to better suit its customers' preference. The products include the Bank's deposit instruments and other investment products such as mutual funds for equity, bond, commodity, derivatives, and real estate, as well as various life insurance programs namely savings, annuity, pension etc. Moreover, it also offers E-Banking, financial advisory services, and financial transaction services.

The Bank acts as a sales agent for fund management companies and is a business alliance to insurance companies that work with it on its bancassurance product schemes.

#### **Special Asset Management (SAM)**

"Special Asset Management" (or Distressed Asset Management) is operated by the Bank together with 8 other mutual funds in which the Bank holds their unit trusts. The Bank began its distressed assets management activities in 1999 when it auctioned some debt portfolios from the Financial Sector Restructuring Authority (FRA). During 2003 - 2006, the Bank also auctioned debts under the liquidation process from the Legal Execution Department. In 2010, the Bank acquired unit trusts in the Gamma Capital Fund and the Bangkok Capital Fund, both of which operate mutual fund operations which is a similar line of business as those operated by the Bank's subsidiaries.

The special asset management comprises Debt Restructuring Department, NPL&NPA Support Department to handle debt restructuring negotiation, and Asset Management Department responsible for sales of foreclosed assets. The details of asset for sales such as their locations, size, and price range are provided in [www.kkasset.com](http://www.kkasset.com) for viewing by customers and interested parties.



## Marketing and Competition

### Distribution Channels

The Group has operated our business through 4 entities including Kiatnakin Bank, Phatra Securities, KKTRADE Securities, and Phatra Asset. Additionally, there are agencies who help selling some of our products and services, details are as follows;

#### 1. Kiatnakin Bank

At the end of 2012, the Bank had totally 87 branches (including head quarter) increased from 72 branches in 2011. The majority of new branches opened in 2012 were in the Bangkok Metropolitan area and its vicinity for funding purpose, while the branches opened in provincial areas were to support lending business to cover all target groups of client as well as to enhance a wider and larger customer/deposit base. Detail of the Bank branches by geography is presented as follows;

Region	No. of braches
Bangkok and vicinity	34
Central	10
East	7
North East	16
South	8
North	12
<b>Total</b>	<b>87</b>

Other than its existing branch network, the Bank also operates two auction centers which are located on the Bangna - Trad Highway (K.M. 8) and in Udon Thani Province to also support the car auction activities in the provincial areas.

The Bank's Distribution Division is responsible for sales and service channels development via its banking network to respond to and satisfy the growing needs of its customers. These channels include the KK ATM service; a 24 hour electronic banking system that allows the Bank's customers to perform banking transactions via a nationwide ATM pool, the KK E-Banking Service; an online banking system that provides basic banking services, the KK Alert Service; and an automatic system which provides SMS transaction alerts via client's mobile phones.

In addition, there is the KK Contact Center at telephone number 02-680-3333; an automatic phone banking system that allows customers to make transactions

and inquiries. In addition, the Bank also provides information and other contact channels via online media such as its website ([www.kiatnakin.co.th](http://www.kiatnakin.co.th)).

#### 2. Phatra Securities (PSEC)

The sales and service channel of Phatra Securities is through its head office at Muang Thai - Phatra Office Tower 1 Tel. 0-2305-9559

#### 3. KKTRADE Securities (KKTRADE)

KKTRADE provides securities services via head office at Amarin Tower, 7<sup>th</sup> Floor, and 11 other branches. Customers can contact Client Service: Tel. 0-2680-2888. Details of KKTRADE branches are as follows.

Location	No.	Branch
Bangkok and vicinity	4	Amarin Tower, Asoke, Bangna, Nonthaburi
Provincial areas	8	Chiang Mai, Hadyai, Khon Kaen, Rayong, Samut sakorn, Chonburi, Phitsanulok, and Nakorn Sithammarat

#### 4. Phatra Asset Management (Phatra Asset)

Sales and distribution channels utilized by Phatra Asset include commercial banks and securities companies whose names are listed in the fund prospectus. The distribution network contributes to the development of a diversified customer base and wider reach. Additionally, Phatra Asset also provides online channel under the name "Phatra click" as a distribution alternative.

Phatra Asset has moved its head office from the Charn Issara Tower 1, 4<sup>th</sup> Floor to 25/F Muang Thai - Phatra Complex Building, Tower B 252/122 Ratchadapisek Road, Huaykwang Bangkok 10310, Thailand since July 8, 2013.

## Market Condition and Competition

### 1. Commercial Banking business

There are 14 commercial banks in the Thai banking system, 11 of which are publicly listed companies in the Stock Exchange of Thailand. Thai banks, classified by their assets sizes, deposits, and net loans, based on the summary of assets and liabilities (C.B. 1.1) as of December 2013, can be grouped as follows:

Table presents Assets, Deposits, and Net loans of Thai Commercial banking system at the end of 2013

No.	Thai Commercial Banks	Assets		Deposits		Loans (net allowance for doubtful account)	
		Baht million	Market share (%)	Baht million	Market share (%)	Baht million	Market share (%)
1	Bangkok Bank	2,502,750	17.7	1,871,061	18.3	1,615,612	17.0
2	Krung Thai Bank	2,502,231	17.7	1,884,262	18.4	1,654,526	17.4
3	Siam Commercial Bank	2,383,608	16.9	1,820,728	17.8	1,669,018	17.6
4	Kasikorn Bank	2,092,060	14.8	1,532,588	15.0	1,380,089	14.5
5	Bank of Ayudhya	1,074,348	7.6	768,390	7.5	801,552	8.4
6	Thanachart Bank	992,290	7.0	722,262	7.1	728,985	7.7
7	Thai Military Bank	765,345	5.4	529,664	5.2	467,357	4.9
8	UOB Bank	408,027	2.9	234,868	2.3	248,001	2.6
9	TISCO Bank	342,030	2.4	265,548	2.6	275,052	2.9
10	Standard Chartered Bank	254,833	1.8	103,361	1.0	99,420	1.0
11	Kiatnakin Bank	234,295	1.7	146,125	1.4	184,720	1.9
12	CIMB Thai	278,362	2.0	152,273	1.5	163,751	1.7
13	Land and House Bank	148,719	1.1	109,948	1.1	102,216	1.1
14	ICBC (Thai)	148,128	1.0	83,734	0.8	102,730	1.1
<b>Total</b>		<b>14,127,027</b>	<b>100.0</b>	<b>10,224,812</b>	<b>100.0</b>	<b>9,493,027</b>	<b>100.0</b>
4 large -sized commercial banks		9,480,648	67.1	7,108,639	69.5	6,319,245	66.6
3 medium sized commercial banks		2,831,983	20.0	2,020,316	19.8	1,997,893	21.0
7 small commercial banks		1,814,395	12.8	1,095,857	10.7	1,175,889	12.4

Source : Summary Statement of Assets and Liabilities (C.B.1.1) as of December 31, 2013, the Bank of Thailand

For the fiscal year 2013, commercial banks experienced a declining growth rate of 3%, in line with the decline in the economic growth of Thailand whereas in 2012, there was growth rate of 6.5% due to increased consumer spending. Affecting factors were increasing household debts and higher cost of living, a decrease in private investment, decreasing exports due to less world demand and volatile prices, government spending not reaching targets and political unrest in Thailand. In 2013, the demand for lending was driven by the demands in every sector such as major companies, SME and retail customers. For 2013, net lending reached Baht 9,493,027 million up by 10.5% from the previous year of Baht 8,591,427 million.

Deposits totaled Baht 10,224,812 million, up by 9.8% from 2012 which was Baht 9,315,057 million. Debt issuances

and borrowings (including P/N) totaled Baht 808.849 million, up by 1.2% from 2012 of Baht 799,259 million. The sum of deposits, debt issuance and borrowings was 11 billion Baht, up by 9.3% from previous year. In 2013, commercial Banks' mobilization of funds by issuing Bills of Exchange (B/E) decreased, as a result of 1) Contributions from commercial banks to the FIDF and Deposit Protection Agency was 0.47%, based on deposits and B/E. 2) stricter supervision of issuance of B/E and debentures by banks. Debentures issued by commercial banks stood at 1.6 hundred thousand million Baht, a decrease from Baht 1.8 hundred thousand million. In comparing the liquidity of the Bank between 2013 and 2012, it can be noted that the ratio between loans against deposits, debentures and borrowings was 86.0%, close to that of 88.3% of 2012.

The interest rates of commercial banks for deposits and loans remain steady from December 2012 till the end of November 2013. The rates decreased after the Bank of Thailand decreased the rate by 0.25% to 2.5% and in the 4<sup>th</sup> quarter to 2.25% in order to boost the economy. The average interest rate of 3-month deposits for 4 major commercial banks decreased from 1.84% from 2012 to 1.76% at the end of the year 2013 and the interest rate on lending to major customers for 4 major commercial banks decreased from 7.00% from 2012 to 6.84% at the end of the year 2013.

#### Outlook of Commercial Banking Business

For 2014, the trend for business expansion of commercial banks in terms of loans and deposits will rest on several risk factors such as world economy, the flow of capital, the Thai economy which shows signs of slowing down, political stability, personal revenues and consumer confidence, higher cost of living, private investments as well as recovery of household consumption. These are all related to demand for loans in every sector as well as mobilization of deposits at commercial banks.

It is expected that the expansion for lending should slow down but commercial banks should continue to enjoy increases in lending due to increasing exports from a recovery of world economy which would increase the demand of loans for trade finance and for working capital.

At the same time, retail loans should decline from the highs of the previous year but demand for loans in certain sectors could still grow such as demand for housing loans of single families of the new generation and automobile hire-purchase while credit card and personal loans will still grow based on increasing household spending.

Another risk factor that will challenge commercial banks is political instability which has prolonged from October 2013 into the 1<sup>st</sup> quarter of 2014, without a solution in sight. This situation makes it difficult for the Ministry Of Finance to stimulate the economy and will also affect business and household sectors thereby creating a non-conductive environment for investments and consumer spending and may lessen the demand for loans until the political situation clears up.

For 2014, one factor that must be closely watched is the quality of assets of the commercial banks. It is expected that the commercial banks will be more stringent in giving out

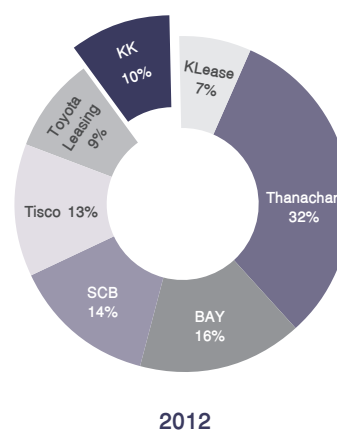
loans in all sectors such as the business sector who are waiting for signs of economic recovery and high household debts which were extensively withdrawn.

#### **2. Automobile Hire Purchase Business**

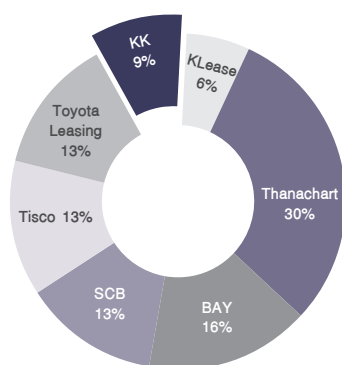
Sales of automobiles for 2013 was 1,330,678 down by 7.2% from 2012 as result of the economy stimulating policy (Tax refund for new car owners) of the government coming to an end. This policy was ended at the end of 2012 but trickled into 2013 as new cars were still being delivered. During 2013, automobile makers continue to introduce new models and financial institutes introduced new campaigns to promote sales for dealers which created a highly competitive environment for interest rates offered.

In 2013, hire-purchase of automobiles grew at a declining rate as a result of the government policy (Tax refund for new car owners) which created a high demand for cars. This in turn affected the used-car sector which saw prices declining by 20-30% and also prices of repossessed cars and decreased sales of such vehicles. As for hire purchase of used-cars, dealers found it difficult to sell their cars which caused credit extended to used-car dealers to stall and the Bank needed to oversee the quality of these loans and be more careful in approving loans to customers in this sector.

The 5 major commercial banks in the hire purchase business were Thanachart Bank, Bank of Ayudhaya, Siam Commercial Bank, Tisco Bank and Kiatnakin Bank. As at the end of 2013, the total outstanding loans of 7 major companies were Baht 1,458,971 million (Note: For Toyota Leasing Co., Ltd., the total outstanding is for the 31<sup>st</sup> of March 2012 and 2013). The market share for the total outstanding of hire purchase sector for 2012 and 2013 is as follows:







2013

In 2014, the Bank will place great importance on services and building a strong relationship with the dealers and customers by concentrating on the market segment in which we are the strongest. One main product of hire - purchase and other products such as car insurance, life insurance, personal and other loans will be packaged appropriately for each of our customer group that uses the hire-purchase facilities with us. Besides this, we will promote our products through new and used-car dealers, of which 1,000 are new car dealers and 3,000 are used car dealers.

#### Outlook for Automobile hire purchase marketing 2014

We expect that the growth for hire-purchase will increase at a declining rate and that 960,000 cars will be sold while 1.3 million cars were sold in 2013. However, the steady low interest rate is expected to boost the economy and keep interest expenses low. This should result in a decrease in Non-performing loans and there is potential in growth of the used-car hire-purchases because of prices of used-cars are lower than 2013 and low interest rates.

The slow growth rate of the Thai economy and the introduction of new and lower-priced cars will force the providers of hire-purchase loans to adapt marketing strategies with car dealers as well as monitoring the quality of the loans very closely to prevent those becoming Non-performing loans (NPL).

### **3. Real Estate Business**

In a survey done by Agency For Real Estate Affairs Co., Ltd. (AREA) for 2013, it was found that there were 417 new real estate projects, almost the same amount as 2012 of (419 projects). For 2013, the total units sold were 131,645 up from 2012 (103,481) by 27% more and consisted of apartments/condominiums (64%) 84,250 units, townhouse

(21%) 28,047 units, single houses (9.7%) 12,789 units, and the remaining were twin-houses and commercial buildings with 5.3% each.

The value of new real estate projects for 2013 were Baht 385,447 million (2012 304,629 million Baht), apartments/condominiums accounting for 49% at a value of Baht 97,395 million, townhouses at 24% at a value of Baht 114,189 million and single houses at 20.6% at a value of 97,395 million Baht. Value of the new projects were higher than 2012 by more than Baht 80,000 million which shows growth in the real estate market and a change in value structure of the market, showing that townhouses have increased their prices and outpaced the demand for single houses as a result of higher cost of land.

In spite of the political situation in Thailand, total sold units for 2013 was 116,841, up from 2012 of 107,412, showing an increase even if the real estate slowed down in the 4<sup>th</sup> quarter of 2013. This figure includes sales of units in new projects and old projects that had been started earlier. However, outstanding unsold units was 144,098 units, comprising of apartments/condominiums (35%) 51,260 units, townhouses (30%) 44,639 units, single houses (25%) 37,361 units and twin-houses and commercial buildings was 10,838 units.

The competition between financial institutes to offer loans to real estate developers and mortgages were quite high and most of them were about conditions and terms for the loans and interest rates differing from Kiatnakin Bank which concentrated on providing services and expertise as well as flexibility of the loans and providing the right package for each business. Major competitors were Krung Thai Bank PLC., Bangkok Bank PLC., Siam Commercial Bank PLC., and Krungsri Bank PLC., competing on terms of the loan, interest rates and services.

Our marketing strategy for 2013 has concentrated on targeted markets under the KK BIZ of the "Campaign Driving Your Business" for grade "B" customers and above, in the designated areas and for targeted customers for business loans. In the past year, the Credit departments have expanded markets to other provinces, in line with urbanization especially targeted markets of Chiangmai, Khonkaen, Choburi, Phuket, Songkhla and others. This is done in conjunction with our

partners and arranging road shows to promote our various credit products.

In this competitive environment, our overall marketing strategy would still be to concentrate on our strengths of attacking niche markets where we can help to create value for our customers more than our competitors. We have diversified our 5 major credit products to all dealers and customers, not allowing anyone to have more than 30% of the total credits.

#### Outlook for Real Estate market in 2014

We expect a decrease in the number of new projects for 2014, both in term of units and value. Many major real estate developers have decreased the number of new projects especially for condominiums as there were many projects started in 2013 for areas like Bangkok and other provinces like Chonburi, Chiangmai, Khonkaen, Phuket and others.

At the end of 2013, the overall unsold housing units stood at 128,934 units, an increase of 11.8% from previous year of 144,098 units. The largest numbers of unsold-units were 51,260 condominiums, up by 15.5% from previous year of 40,853 units. Prices have dropped by only 3% as many new projects were concentrated in the lower-end markets priced less than 1 million Baht in value and also of 1-2 million Baht for units near the mass transit rail that is being built. For low-rise buildings, there is a chance of growth but not as much as in 2013, for areas in Bangkok and nearby provinces. Major developers of low rise buildings have diversified into other provinces in preparation for AEC in 2015, especially in provinces with adjacent borders to neighboring countries like Udonrathani, Udonrathani, Khonkaen, Nakorn Ratchasima, Chiangmai, Songkhla and others.

There are several negative factors that could affect the real estate business such as the expected slow-down of the Thai economy, political instability, personal income of consumers, delays in government spending, increasing household debts and other important factors such as the higher cost of building materials and high labor cost which have direct bearing on the cost of production. All these could cause the housing market to decrease in 2014. Positive factors are urbanization and the increasing cross-border trade, would allow the housing market in the provinces to decrease less than the market in Bangkok and nearby provinces.

## **2. Capital Market Business**

Thai capital market for 2013 can be characterized in two parts. The first half of the year saw a continuation of the 2012 story, that being healthy trading conditions supported by foreign inflows from the quantitative easing (QE) program and a positive domestic outlook supported by the government plan to increase spending in new infrastructure projects. At the year's high, the SET was +18.5% at 1,649.77 points. The second half of the year saw a dramatic turnaround for the direction of the markets as increasing concern grew that the tapering of QE would soon commence and hence the emerging markets that had benefitted from the inflow would start to experience outflows. Further, domestic confidence and sentiment began to be affected as first Thai Baht began to weaken as exports disappointed and the expectations for GDP downgrades started to weigh in. As the end of the year approached, political tensions also rose and added further weight to a negative domestic scene. At the end of the year the SET finished 25.4% lower from the year's high, and for the full year the SET finished -6.7% at 1,298.71 points, its first yearly negative returns since the global financial crisis in 2008.

The average daily trading value of the SET index and mai increased by a significant 55.8% from 2012, with the average daily turnover of Baht 50,329 million. The large increase was driven by the above market conditions which lead to more active trading. Further, an increased number of IPOs (38 in 2013 vs 24 in 2012) assisted in the higher trading volumes.

For another important market, the Thailand Futures Exchange, major developments in 2013 was the launch of 20 additional Single Stock Futures (SSF), bringing total underlying up to 70 stocks. TFEX has also changed the way speculative position limits are calculated for SSF from a fixed 20,000 contracts per series to variable rates based on the price and market capitalization of the underlying. These changes largely contributed to increase in trading volume in 2013 from 10 million contracts to over 16 million contracts. We have also witnessed large drop in trading volumes for gold futures, down 47% and 36% for 50 Baht Gold and 10 Baht Gold respectively. SET50 Index futures remain the most active product in term of value on TFEX. Volumes for SET50 Index futures were up 41% in 2013 as a result of the extreme market volatility.

Table illustrating the SET and mai market condition, trading value, and market share of PSEC and KKTRADE:

	2012	2013
Average daily trading value of the SET and mai (Baht million)	32,304.35	50,329.26
Trading value of the SET and mai by investor type		
Foreign Investors (%)	24.24	21.74
Local Institutions (%)	7.78	8.55
Local Individuals (%)	54.98	57.11
Proprietary Trading (%)	13.00	12.61
Average trading value of PSEC (Baht million)	3,062.62	5,460.22
Market share of PSEC (excluding proprietary trading) (%)	4.25	4.38
Market share - Foreign Investors (%)	7.71	8.58
Market share - Local Institutions (%)	10.28	9.65
Market share - High Net Worth Client (%)	1.97	2.09
Ranking	9	9
Average trading value of KKTRADE (Baht million)	823.41	1,140.44
Market share of KKTRADE (including proprietary trading) (%)	1.47	1.30
Ranking	23	25

Competition in securities brokerage business remains high due to the liberalization of brokerage fee since the beginning of 2010, together with the number of brokers totaling 38 firms as members of the SET, who provides similar services. These result in the continual trend of declining commissions. Hence, most of securities brokers emphasize on competitive quality of service, up-to-date research papers, and ability to allocate new stock offering to their customers as well as improving their technology offered to clients. Overall, PSEC did maintain its competitive position year-over-year and enjoyed market share gains with its foreign and local institutional clients.

PSEC continues to emphasize on quality of service, research papers, and technology in servicing clients. We have upgraded our Direct Market Access platform to Flextrade in June 2013, giving us more flexibility and scalability when it comes to throttle size/individual API's. PSEC currently has the largest and fastest throttle in the market at 240 transactions/10 seconds vs industry standard 80 transactions/10 seconds.

#### Investment Banking Business

In 2013, PSEC participated in BTSGIF and M's IPOs with a total deal value of Baht 62,510 million and Baht 9,107 million respectively. PSEC also participated in Central Pattana

PLC's Overnight Offering or Accelerated Global Tender (AGT), of which PSEC was the lead underwriter with total value of Baht 10,852 million. PSEC was also involved in multiple financial advisory transactions including Bank of Tokyo-Mitsubishi UFJ's acquisition of Bank of Ayudhya PLC and CP All PLC acquisition of Siam Makro PLC.

PSEC's remarkable performance in 2013 was marked by a number of landmark deals beginning with the Baht 62,510 million infrastructure fund initial public offering of BTSGIF which was completed in April during when market confidence was peaking with the SET Index at its all-time high (eventually reaching its peak of 1,643.4 on 20 May). The second half of the year saw a volatile market due to heightened concerns on QE tapering and domestic political turmoil with the SET Index falling to below 1,300 by year's end. PSEC was however able to secure another sizable deal in the M&A space which was Bank of Tokyo-Mitsubishi UFJ's acquisition of Bank of Ayudhya PLC with a deal value of Baht 170,575 million. During the year PSEC was able to introduce a number of new product offerings to our clients including infrastructure fund IPO.

Other securities firms continue to focus on investment banking business with the aim to increase fee revenue as well as to support their securities brokerage business and continue



<b>TFX Market Summary</b>	<b>2012</b>	<b>2013</b>
Number of contracts	10,457,928	16,664,126
Trading volume of PSEC (no. of contracts)	1,420,220	3,054,255
Trading value of PSEC (Baht million)	457,270.76	690,840.80
Market share of PSEC (%)	6.79	9.16

Source : the SET

to provide strong competition to PSEC. As of January 7, 2014, there were 74 companies who have been granted license to operate financial advisory service and currently are operating, while there were 40 securities firms who are granted license to operate as an underwriter. Success in the industry will be determined by the experience and expertise of the banking team, initiatives to introduce new financial instruments to meet clients' increasing needs, and strong customer relationship.

#### **Asset Management Business**

According to FY2013 information from the Association of Investment Management Companies (AIMC), there are 23 asset management companies under the SEC supervision, with a total Net Asset Value (NAV) of Baht 3.07 trillion, an increase of 17.65% from Baht 2.61 trillion at the end of 2012.

The total NAV at the end of 2013 can be divided into Baht 1.69 trillion of fixed income funds or 55.08% of total funds. Equity fund accounts for Baht 712.57 billion or 23.17% of the total AUM. Meanwhile, Retirement Mutual Funds (RMF) and Long-Term Equity Fund (LTF) have shown continuous growth, with Baht 136.85 billion for RMF, and Baht 213.91 billion for LTF. Three infrastructure funds were set up in 2013, with Baht 128.47 billion combined fund size.

Total asset under management (AUM) of Phatra Asset in 2013 equaled to Baht 24.73 billion, with a total of 26 funds under management. Phatra Asset focuses on two types of fund including mutual fund, accounting for 32.16% of total AUM, and property fund making up the remaining 67.84% of total AUM.

In 2013, Phatra Asset set up seven new funds, comprising of six fixed income funds and one mutual fund focusing on property funds and property stocks.

The size of asset management market has been growing healthily. Phatra Asset continues to focus on strong team of experienced investment personnel, discipline investment process, and a wide range of product choices. The network of selling agents who are capable to advise and provide quality of service are the other important factors.

Private funds business was growing continuously with intensifying competition. There are 2,437 funds (as of November 30, 2013) in the industry, an increase of 22.4% from the end of 2012. Total net asset value was Baht 407.76 billion, up 26.59% from 2012.

Starting January 2014, Phatra Asset will start to offer private fund services.

## Risk Management and Risk Factors

Following the merger completed on September 11, 2012 between Kiatnakin Bank Public Company Limited (“the Bank” or “KK”) and Phatra Capital Public Company Limited (“Phatra”), a new organization structure of “Kiatnakin Phatra Financial Group” (“the Group”) have been formed. The new structure comprises of the Bank, acting as parent company of the Group while undertaking commercial banking business, its equity market-related subsidiaries, namely Phatra Capital Plc., Phatra Securities Plc., KKTRADE Securities Co., Ltd., and Phatra Asset Management Co., Ltd., and the Erawan Law Office Co., Ltd., which provide legal support to the Group.

### Risk Management Overview

Business operations of the Group give rise to various risks from internal and external factors including changes in economic conditions, business environment and business operation procedures. The risks are classified in accordance with the Bank of Thailand (“BOT”) into 5 main risk types, specifically Credit Risk, Market Risk, Liquidity Risk, Operational Risk and Strategic Risk. The Group has established a risk management procedure of risk identification, measurement, assessment, monitoring and controlling. Risk management of the Group consists of the Risk Management Committee (RMC), Risk Management Department and Risk Management Units within the subsidiaries. The RMC reviews and sets risk management policy and guidelines. The Risk Management Department and Risk Management Units, independent from front office departments as well as risk owners, regulate and support the Group’s risk management.

During 2012, the Group restructured its Risk Management Department according to the new business structure of the Group. Examples of this instance include the Market Risk Subdivision, formerly Market and Liquidity Risk, having been separated to accommodate a projected increase in transaction volume from the trading book. Another example is the addition of the Credit Review team and the Financial Institutions Counterparty Risk team under the Credit Risk Subdivision. A Risk Model Validation Management team was formed under the Risk Management Support Subdivision to control and support model risks within the Group. Moreover, the Operational Risk Committee (ORC) and the New Product and Process Review Sub-Committee (NPPRC) were

established to increase efficiency and productivity of operational risk management.

### Risk Management Policy and Risk Management Guideline

A key point in the risk management policy is the management of risks throughout the entire organization with emphasis on establishing, for each business department and unit, roles and responsibilities of understanding the risks of its business activities and managing such risks under the risk management policies and guidelines of the Group. The Risk Management Department’s role is to regulate, monitor and review the mechanics of risk management and control in each business unit and department. Furthermore, each business unit will be allocated capital, an amount depending on the level of its transaction risks and business operation losses.

The Group arranges trainings and educates its employees on risk management to build an understanding of risk and encourage employees’ involvement in managing risk. Additionally, the Group consistently discloses risk management and capital information to the public.

### Risk Management Framework

The roles and responsibilities of the relevant committees and risk management authorities are as follows:

#### Board of Directors

Supervise the Group’s Risk Management Committee to ensure the determination of policy, procedures and control measures of risk management which covers strategic, credit, market, liquidity, and operational risks.

### Risk Management Committee

Determine risk management policy, oversee the adequacy of policies and risk management systems of the Group and reporting to the Board of Directors. Monitor risk levels to be within level of risk appetite acceptable to the Group with a goal to limit risks in a predetermined range while earning an appropriate rate of return.

### Risk Management Department

Design and develop key tools and risk management procedures, ensure the implementation of such tools and procedures in the business units and various departments within the Group. Assess, track, control and prepare report of the Group's risk position in order to control the risks within an acceptable level.

### Internal Audit Group

Audit and verify the process of operation for departments and units to be in compliance with policies, guidelines, regulations and process of risk management. Internal Audit examines and assesses the performance of internal control system and quality of operational process to improve such process as well as to control and reduce risks.

### Capital Management Department

Plan, monitor and control the Group's capital to ensure its sufficiency, given the group's position and business activities. Ensure an appropriate Internal Capital Adequacy Assessment Process (ICCAP) which is able to cover the Group's significant risks under normal circumstance or crisis and is in accordance with the capital management standards under the Pillar 2 of the Bank of Thailand.

### Risk Owner

The product owners, departments, branches and units in the Group are responsible for managing the different risks related to their operations, systems, products and services to be within acceptable risk levels with compliance to the risk management policies, guidelines, regulations and processes. These risk management activities include the identification, assessment, monitoring, controlling, and reporting of risks.

### Improvement of Risk Management

The Board of Directors has approved the Risk Road Map as a long-term guideline for risk management consisting of 2 parts as follows:

- 1) Development of data warehouse infrastructure
- 2) Development of risk management and capital adequacy tools

The project period is five years. Its purpose is to level up the credit risk management to comply with the Internal Rating Based Approach (IRB) for capital requirement calculation.

The Group has developed a risk management approach that includes the assessment of capital adequacy under the ICAAP procedure within the capital management framework of Basel II, Pillar 2. Such approach is able to manage risks significant to the Group and enable the Group to be aware the adequacy of capital over different risks. Additionally, the Group can assess whether the capital will allow for business growth.

The Group analyses its risk under crisis scenarios. Irregularities are assumed to assess their effect to the Group's financial position and capital adequacy. Plans are made to cover different risks and capital requirements under the crisis scenarios.

For credit risk management, the Bank has adopted the Collective Approach to calculate its reserve requirement. Under this approach, the Bank will maintain a loan's marginal reserve until its maturity. When the loan matures, the Bank will consider setting aside some portion of the loan's reserve as general reserve. In addition, the Bank plans to incorporate the use of credit ratings from BOT-approved external credit rating agencies within the first quarter of 2014.

### Key Risk Categories

The Group manages its risks in accordance with the BOT framework which classifies risk into 5 categories as follows:

#### 1. Strategic Risk

Strategic risk arises from the deviation from the strategic plan occurred during implementation or the inconsistencies between strategy, goal, organizational structure, competition and resources. Strategic risks, dependent upon external and internal factors, have a significant effect on revenues and capital of the Group.



To mitigate strategic risks and their effect within an acceptable range, the Group has set a strategic risk management framework, starting from the usage of key elements in strategic risk, specifically, the identification, assessment, monitoring, reporting and controlling of risks. The Group identifies and assesses strategic risks on two aspects which are the risks arising from failure to meet key goals and the annual strategic and business planning process.

Regarding the strategic risk management of subsidiaries, all procedures should rely on the strategic risk management policy of the Group, which covers risk management of the group and each company under the Group.

#### **Risk factors in Business Operation**

Key strategic risks of the Group are described as follows:

##### **1.1 Risk of economic uncertainty**

In 2014, major concerns on economic risk are global risk and domestic risk. Global risk include policy risk from the world's leading economies such as (1) Quantitative easing tapering by the United States Federal Reserve has the potential effect of drawing funds from emerging markets including Thailand, depreciating the Thai currency, raising bond yields and tightening liquidity in the Thai markets. (2) Political issues in the United States could affect the economy. Given the governing bodies are not able to resolve the public debt ceiling issue by early 2015, the United States may default on its loans, effecting confidence and causing volatility in the financial markets. (3) Change in the China's policy towards a more restrictive approach could significantly lessen economic growth, effecting Thai export market and economy.

The second concern rises from risk of domestic economy which comprises three crucial risks: (1) Political issues, if persist or escalated to violence, could affect consumer confidence, resulting in a more severe slow-down in the private sector and tourism sector. (2) The practice of monetary policy has become more restrictive. Such move is due to the BOT's inclination to maintain interest rates at the current level with the purpose to sustain the margin between domestic and international interest rates in a period when fund flows are volatile. Additionally, with low inflation rates, the real rate of interest increases, putting pressure on consumption and investment. (3) Possibility of a tighter fiscal policy in accordance with the government's medium-term plan of a more balanced budget

and the possibility of delay in infrastructure projects further impeding government spending and decelerating economy growth.

In order to control risk within an acceptable level, the Group aims to embed risk management into every process of operation and design a process that support. Examples of this approach include a consistent assessment of current situation as well as stress testing and preparation of crisis support plans.

#### **1.2 Risk from Capital Adequacy (ICAAP)**

##### **• Basel III Capital Requirement**

The economic and financial crisis in several countries during 2007-2008 and also the increasing complexity of banking business introduced a fundamental reform to the regulatory framework for supervision of the financial system. A part of the reformed framework is to strengthen the regulatory capital requirement in accordance with Basel III in order to improve the quality and quantity of bank capital to absorb shocks arising under both normal and stress situations.

In accordance with Basel III regulatory capital requirement effective from 31 January 2013 on bank only basis and 31 January 2014 on consolidation basis, both the quality and quantity of the regulatory capital requirement are reformed to enhance the banking sector's stability. Under qualitative reform, the Common Equity Tier 1 (CET1), consisting mainly of common shares and retained earnings, is emphasized to be the main and the highest quality component of a bank's capital to absorb loss. Furthermore, the criteria of financial instruments included in capital component are revised to be near equity. Under quantitative reform, the minimum capital requirement of Tier 1 capital ratio is changed from 4.25% to 6.00% and newly added CET1 ratio is set at 4.50% while the BIS ratio still remains at 8.50% for a minimum. In addition, risk coverage is also enhanced by improving a calculation method of credit risk for complex instruments.

##### **• Capital Adequacy**

The Group significantly places great importance on ICAAP to ensure the maintenance of capital above the target level as well as the methods or tools to appropriately build and assess capital adequacy of the Group under both normal and stress situations.

ICAAP is a coordination among various departments to achieve uniformity of the Group's performance, target,

strategy, business plan and risk appetite approved by the Board of Directors. The capital target is determined and reviewed at least once a year or any significant change to the capital level.

In 2013, the Bank, under the Basel III capital requirements, uses Standardised Approach (SA) for credit risk and Basic Indicator Approach (BIA) for operational risk while the Group remains applying the Basel II capital requirements with Standardised Approach (SA) for credit risk and Basic Indicator Approach (BIA) for operational risk.

For both the Bank and the Group, capital for other risk types is not required since the transaction level is still under the threshold according to the Bank of Thailand's rule and regulation. However, the Group has the policy to maintain excess capital at the minimum set in risk appetite statement, which is much higher than the minimum capital required by the Bank of Thailand, in order to sufficiently cover all types of risks under Pillar I and Pillar II. Moreover, in 2014 the Group was required to maintain the capital adequacy under Basel III capital requirements and also the market risk capital.

During 2013, the business expansion with both loan growth and rising net revenue caused credit and operational risks to increase. The Bank's total capital increased by Baht 787 million to stand at Baht 28,177 million mainly resulting from retained earnings after dividend payment and ESOP-W2 exercises during the year. In addition, CET 1 of the bank was approximately accounted for 95.9% of total capital which reflects the good capital quality and capital adequacy level of the Group to support business expansion and sufficiently cover all types of risks under Basel III. However, the increase in risk is greater than the increase in bank's capital. As a result, as of 31 December 2013 the regulatory capital adequacy ratio

(BIS ratio) of the bank was at 13.66%, decreasing by 1.04% from the end of 2012, still remaining higher than the 8.50% required by the Bank of Thailand.

Moreover, in accordance with the Risk Road Map, the Group plans to enhance its minimum required capital calculation by applying the Internal Rating Based Approach (IRB) for credit risk and the Standardised Approach (SA-OR) for operational risk in the near future. Since both approaches can well reflect and measure the risks inherited in business operations better than current approaches, therefore, the required capital for retail based business will be lower, reflecting in higher excess capital. The risk of capital adequacy will be decreased.

Besides regulatory capital requirement, capital requirement under economic capital concept, which is an internal model to assess and quantify risk capital, is being developed in order to effectively assess and correctly measure the capital adequacy level for various types of risks from business operation under the Group. After completion, the economic capital will be maintained and monitored together with regulatory capital.

#### • Capital Requirement Policy

The Group has policy to sufficiently maintain the capital for various risks and business expansion in the future. Capital target and minimum capital requirement are defined in the Group's risk appetite statement approved by the Board of Directors. The capital target and minimum capital requirement are defined by considering the following aspects:

- Maintain the capital adequacy higher than 8.50% required by the Bank of Thailand in order to support other significant risks not included under the minimum capital requirement (Pillar I).

Capital Adequacy Ratio (Bank Only)

Capital Adequacy Ratio (Percent)	Basel II			Basel III	
	31 December 2011	31 December 2012	Minimum required by the Bank of Thailand	31 December 2013	Minimum required by the Bank of Thailand
Common Equity Tier 1	-	-	-	13.10	4.50
Tier 1	14.70	14.01	4.25	13.10	6.00
Total Capital	15.40	14.69	8.50	13.66	8.50

- Maintain the capital level in accordance with risk appetite and risk tolerance approved by the Board of Directors.
- Consider the level of capital in stress situation and also prepare the capital contingency plan.
- Maintain the capital level to adequately support all significant risks defined under Pillar II.
- Take into account the impact of maintaining capital to shareholders.

In order to enhance the capital adequacy assessment, the Group

- Develop the risk assessment tools by applying quantitative methods under both normal and stress scenarios for credit risk, market risk, operational risk, credit concentration risk and interest rate risk in the banking book.
- Improve the guideline for capital requirement of each business unit in association with abovementioned types of risks.
- Prepare capital contingency plan to maintain the capital level higher than the minimum regulatory requirement under stress situation.
- Develop business performance measurement system by considering cost of capital and indicating allocated return on equity for each business unit.
- Enhance the risk assessment and capital adequacy by applying economic capital concept.

The Group has a policy on being a specialized business focusing on hire purchase, real estate and Special Asset management business to achieve expertise and competitiveness in that business. With that strategy, the Group therefore has the following risk control measures:

- Maintain Capital Adequacy Ratio (CAR) at an adequate level to respond to the impact of business concentration of the Bank and fluctuation of future incomes. As of December 31, 2013, the ratio was 13.66%, higher than the 8.50% as per the Bank of Thailand's notification, or the total capital of Baht 28,177 million.
- Minimize market and liquidity risk while addressing the credit risk with the Group's long-standing expertise.
- Control the diversification of present core business of the Group at an appropriate level while seeking potential new core business

### **1.3 Risk of significantly reduced brokerage fees from securities trading arising from uncertainties in domestic and international economies, politics, money markets and equity markets**

After the merger between Kiatnakin Bank and Phatra PLC, brokerage fees have become a major income for the Group. As the economy and political situation have direct impacts on brokerage fees, political uncertainty or a slowed economy will affect trading volume in the security exchange and, consequently, trading business of the Group and the resulting brokerage fees.

The Group's policy is to engage in businesses that it is experienced. In order to gain expertise and competitive advantage in its chosen areas, the Group concentrates its businesses in the hire purchase, real estate, special asset management and equity markets businesses. With the aforementioned policy, the Group control its risk through having a level of capital to risk-weighted assets ratio high enough to cover concentration risk and the effect of income volatility. As of December 31, 2013, the Bank's capital was Baht 28,177 million, equaling to a capital to risk-weighted assets ratio of 13.66%, which is higher than the Bank of Thailand's requirement at 8.5%. This reflects the Bank's strong capital position that is able to cover risks and future growth.

Moreover, the strategic risk management team is under supervision of the Board of Directors and the Executive Committee. The strategic planning, reviewing and monitoring elements are under the supervision of Strategy and Business Development Department. The department is responsible for introducing strategic plans to the Executive Committee for their consideration and review. After the plan has been approved, the strategic plan along with a budget from the Finance and Budgeting Department will be submitted for approval of the Board of Directors.

The Group has also tracked actual performances compared to the business plan, budget and evaluation results on different levels. Any deviation is analyzed to find out the causes and solution as well as corrective actions appropriate to the nature and transaction volume of the Group's business.

Despite the Group having the strategic risk management procedure aforementioned, the Group is not able to ensure the prevention of all loss arising from strategic risks. Economic



variations, political uncertainties and certain regulation changes are not under the Group's control and can significantly affect the Group's performance.

## 2. Credit Risk

Credit risk arises when a counter party or debtor is unable to fulfill the terms and conditions of his contract, unable to repay his debt or intentionally defaults on the contract with the Group. Under the circumstances, if collateral is insufficient to cover the debt, the Group's net income and capital will be effected. Consequently, the Group has constantly improved its process of credit risk management to appropriately reflect its managed credit risk. Details of such improvement measures are as follows:

**Credit Policy Adjustment** The Bank focuses on adjusting its main credit policy, business loan policy and personal loan policy to an adequate level of conservativeness and suitability to current environment. Counterparty credit policy and country credit policy have also been added to accommodate the Bank's extended reach to financial institution and corporation counterparties resulting from the merger with Phatra.

**Development of Credit Approval Aid** The Bank aims to consistently develop and improve its tools for assisting the credit approval process. Credit Scoring was implemented for the Bank to efficiently assess risks and select a customer group in accordance with its goals and strategy.

**Portfolio Management** The Bank focuses on giving credit to businesses which the Bank has expertise. The Bank will manage its portfolio to maximize profit with an acceptable level of risk through the monitoring of portfolio position with a systematic information reporting, in-depth analysis for the identification of risks and solution planning. A concentration risk limit is also utilized to lessen the volatility in the Group's performance. Examples of concentration limits include the Single Lending Limit and the Large Borrower Concentration Limit.

On December 31, 2013 the Bank has an NPL of Baht 7,276 million, accounting for 3.8% of total outstanding loan. Details of the NPLs categorized by loan type are as follows:

The portion of NPL to total loan has increased from the end of 2012 as a result of higher NPL for hire purchase. The First Car Campaign has directly and indirectly impacted the hire purchase market in terms of loan quality and lowered used car price which resulted in greater losses for the sale of repossessed cars. However, the Bank believes the situation will return to normal within 2014.

Provision for doubtful debt and provision for restructured accounts amounted to Baht 7,266 million, accounting for 100% of total NPL. Such account comprised individual debt provisions of 3,395 million baht and general provision for doubtful debt of Baht 3,870 million. On June 30, 2013, the Bank has adopted the Collective Approach for calculating retail loans reserve,

Loan type	December 31, 2012			December 31, 2013		
	Amount (million baht)	Portion of total (%)	Portion of loan (%)	Amount (million baht)	Portion of total (%)	Portion of loan (%)
<b>Retail Lending</b>	<b>2,345</b>	<b>41.7</b>	<b>1.8</b>	<b>3,231</b>	<b>46.3</b>	<b>2.3</b>
Hire Purchase	1,936	34.4	1.6	2,762	39.8	2.1
Personal loan	62	1.1	1.8	112	1.3	3.1
Micro-SMEs	112	2	6.6	143	2.0	8.7
Housing	236	4.2	46.6	213	3.2	48.2
<b>Commercial Lending</b>	<b>2,584</b>	<b>45.9</b>	<b>6.6</b>	<b>3,289</b>	<b>48.5</b>	<b>6.4</b>
Real Estate	1,955	34.7	9.6	2,379	34.6	8.3
SMEs	629	11.2	3.3	911	13.9	4.0
<b>Special Asset Management Loan</b>	<b>92</b>	<b>12.3</b>	<b>53.1</b>	<b>756</b>	<b>5.1</b>	<b>74.2</b>
<b>Other Loan</b>	<b>6</b>	<b>0.1</b>	<b>1.1</b>	<b>0</b>	<b>0.1</b>	<b>0</b>
<b>Total</b>	<b>5,628</b>	<b>100.0</b>	<b>3.3</b>	<b>7,276</b>	<b>100.0</b>	<b>3.8</b>

resulting in a ratio of total provision to required provision of 186.7% at the end of 2013.

For 2014, risk factors that may affect the Group's credit portfolio comprises:

- The continued political conflict and a slower economic growth which affect payment abilities of customers, especially households, and consequentially affecting debt quality. Examples of these loans include hire purchase and personal loan.

- The First Car Campaign had used future demand which may cause a slow-down in the hire purchase market post-campaign. The slow-down will affect liquidity and payment ability of customers, specifically dealers and used-car sellers, worsening debt quality. Additionally, the campaign has brought up debt level of households.

- Concentration risk in certain industries, if affected by economic circumstances, will have a direct effect to the portfolio's debt quality. For example, real estate businesses may be affected by the situation where buyers have stalled their house transfer to see the progression of the political situation. Another example is situation where farmers are being affected by the Rice Pawning Program or the lowered rubber prices.

If the political situation escalated to violence, the economy will suffer. Such situation is out of the Bank's control and may have a significant effect to the Group's credit portfolio.

### 3. Market Risk

Market risk arises from changes in interest rates, exchange rates of foreign currency, value of securities in the money market and equity market as well as its effect on derivatives securities which effect the trading or banking book position and have an adverse effect to the Bank's income and capital.

Since market factors are uncontrollable, the Bank realizes the importance of managing market risk. As such, the Bank has laid out a market risk management framework for the efficient and appropriate management of market risk while limiting the risk to the Bank's risk appetite and its overall risk policy. Market risk management policy has been constructed with regular reviews for the timely responses to any changes in characteristic, volume or complexity of financial transactions or market environment. Additionally, key risk indicators and

their limits are determined for the assessment, monitoring and controlling of such risks within an acceptable level.

The Bank categorizes its market risks into two main types, specifically, market risk management for banking book and market risk management for trading book.

#### Management of Interest Rate Risk in Banking Book

In order to mitigate the effect of interest rate volatility, the Bank manages the mismatch between the structure of its rate-sensitive assets and liabilities residing both on and off balance sheet. Effects in terms of earnings and economic value are consistently measured through re-pricing gap under normal circumstance and a simulated crisis.

In 2014, the Bank may face volatile interest rates resulting from certain circumstances, domestic and international, continuing from 2013. These circumstances include the uncertain QE tapering timeline and the United States' public debt issue which are key contributors to the funds flow, currency instability and increased competition for deposits.

The Bank realizes the significance of interest rate changes which directly affect its net interest income and economic value. The Asset and Liability Management Committee (ALCO) has been given responsibility to control such effects with the maturity matching concept and matching of interest rate re-fixing period on the Bank's assets and liabilities. Extra attention and monitoring are given to the shortening average maturity which is a key risk factor.

Based on the Bank's asset and liabilities on December 31, 2013, if interest rates increased by 1.0%, the Bank's net interest income will lessen by 5.29% of the one-year forecasted net interest income while economic value will be impacted by 7.31% of the Bank's capital. These impacts are acceptable to the Bank.

#### Management of Interest Rate Risk in Trading Book

For 2013, transaction volume have increased for various financial products namely bond, interest rate swap, foreign exchange spot and foreign exchange derivatives to better serve demand of the Group's customers.

The Bank realizes the increased market risk from the aforementioned transactions under present volatile markets. Internal and external factors, uncontrollable by the Bank, not only affect interest rates, but affect other risk factors such as exchange rates, corporate bond spread and liquidity for trading book transactions. Accordingly, the Bank has set limits

to control risks of trading transactions within an acceptable level and in compliance with the Bank's risk policy. Improvements are constantly made for the market risk management process, starting from the identification, measurement to control and monitoring of risks related to each type of transaction in trading book. The process covers major and relevant market risk factors such as risk from changes in interest rates, exchange rates, yields and liquidity.

Additionally, the Bank has established a market risk management subdivision as the primary in market risk management for the trading book. The subdivision is responsible for tracking trading transactions and controlling trading book risks on a daily basis. For the control of these risks, internationally accepted tools such as Value at Risk (VaR) and Present Value of an 01 (PV01) are used to cover changes in the market. The market risk subdivision will report to relevant units in case of a breach in trading book's limits or any irregularity.

For the management of market risk in the equity market business, these risk have rose from the investment in common equity in the security exchange and futures contract in the futures exchange. The strategy for such investments have been low-risk strategy with measures to prevent market risks reducing risks of the strategy.

However, the Group realizes the risks arising from the investment strategy. As such, the Group has set limit for investment risk within an acceptable range. The risk management department of the equity market business sets standard risk limits such as Value at Risk and Net Open Position determined by daily trading volume. The market risk management department of the equity market business will report to related parties in case of a breach in the trading book risk limit or any irregularities.

For the risk of depreciation in available for sale assets, policies are introduced to reduce such risks. This includes a consistent assessment and review of asset value, accounting treatment which records the value of an available for sale asset as the lower of either fair value or cost, and depreciation accounting based on time the asset is in possession of the Bank. Although little difference exists between the sale price and appraised value, the Bank continues to strictly utilize its practice of step depreciation based on time in possession. On September 30, 2013, the book value of available for sale assets

equaled to Baht 4.4 billion, while its appraisal value was Baht 9.8 billion or 222.73% of its book value.

Nevertheless, the Group is not able to ensure the prevention of all losses arising from market risk. If market becomes significantly more volatile than expected, the Bank may be adversely affected.

#### 4. Liquidity Risk

Liquidity risk is the risk of the Group not being able to fulfill its obligation of repayment as it is unable to promptly convert its assets into cash, unable to raise sufficient funds in time or able to at a high cost which may affect the Bank's income and capital.

The Bank has established the Money Desk Sub-Committee to analyze and track cash inflows and outflows as well as closely monitor the Bank's liquidity to comply with the Bank's risk limits. The committee will regularly convene at least once every two weeks under the supervision of the Asset and Liability Management Committee (ALCO). The treasury department plays a key role in the implementation of the Bank's liquidity management to maintain an appropriate level of liquidity. Additionally, the risk management department monitors and controls the position of liquidity risk and regularly reports to the Risk Management Committee (RMC) and the Board of Directors.

The Bank also sets liquidity risk management policy and procedure in accordance with the Bank's strategy and the BOT's financial institution liquidity management framework. The main policies are as follows:

- Maintenance of liquid assets within the BOT's limits and at an appropriate level
- Control of liabilities and assets maturity mismatch at an acceptable level
- Diversification of liability types
- Expansion of deposit base while considering customer concentration and maturity
- Provision of contingent liquidity reserves
- Impact of Basel III policy on liquidity risk

During 2013, certain situations have affected the liquidity of financial markets, domestic and international, especially the fluctuations in the world's financial markets resulting from uncertainties surrounding timeline of the QE Tapering

measures and the issue of the United States' public debt. These are the main causes of fund flows and instability of currencies as well as volatilities in the money market interest rates and bond yields along with the continued competition for deposits. The aforementioned risk factors should have a continued effect on the liquidity of domestic financial system until 2014. The Bank with its small size is aware of its liquidity risk to prevent any adverse effects of liquidity. Tools are developed and improved for thorough monitoring of liquidity risk. These tools include cash flow/liquidity projections, liquidity ratios, calculation and assessment of liquidity gap with the Contractual Maturity Approach and Behavioral Maturity Approach, which is responsive to real behavior. Assessment of risk under normal and crisis situations is done to ensure the Bank's ability to efficiently manage liquidity risk. The Bank sets risk limits such as maturity mismatch limit, top 100 large depositors limit and liquid asset adequacy under crisis limit. Key liquidity financial ratios as of December 31, 2013 are as follows:

- Liquid Assets to Deposits & BE at 14.85%
- Loans to Deposits & BE at 98.80%

The Bank stress tests its liquidity every quarter. Three levels of stressed scenarios are tested, specifically Bank-Specific Liquidity Crisis, Market-Wide Liquidity Crisis and Combination Liquidity Crisis. The results are used to prepare for the effects of such crises; a contingency liquidity plan is made assigning roles and responsibilities to management and related parties. In addition, the Bank annually prepares for the implementation of such plan.

The Bank prepares its policy to cover the liquidity risk of the Group to comply with BOT's regulations on Consolidated Supervision. The policy covers the monitoring and controlling of liquidity risk that complies with the Group risk policy and management framework within each company under the Group. The subsidiaries must regularly report on the position of their liquidity risk to RMC and ALCO of the Bank, their parent company, under the financial aid and liquidity support policy. The purpose of the measure is for monitoring liquidity and promptly responding to various situations before a significant loss has occurred.

Nevertheless, the Group is not able to ensure the adequacy of its liquidity in all crises, especially when risk factors associated to liquidity changes rapidly and unexpectedly.

## 5. Operational Risk

Operational risk is the risk of losses arising from lack of good governance in the organization, lack of control in the process of operation, inadequacy or defect of the internal process/human resources/systems or external causes. These risk factors affect the income and capital of the Bank and its subsidiary. Risk factors are categorized into seven types as follows: (1) internal fraud (2) external fraud (3) employment and workplace safety (4) improper treatment of product, customer and business operations (5) property safety (6) interruption or freeze in work and information systems (7) error in operations.

For the Group to have proper control and management of operational risk, the Group has set a policy for operational risk management and regulation for operational risk reporting. Under such policy and regulation, each unit is responsible for operational risk management of risks existing in their process by identification, assessment, monitoring and controlling and reporting of risks to be in an acceptable level. A summary of the operational risk management are as follows:

(1) Review and identification of risks as well as the assignment of mitigation plans to control risks under an acceptable risk limits through the use of RCSA (Risk Control Self Assessment), in case of major process change or risk factor change and periodically at a frequency set by the risk management department.

(2) Periodic report of loss data, financial and non-financial (affecting reputation, time, external and internal regulations), and near-miss with facts along with their causes and preventive measures against future occurrences.

(3) Determine and monitor key risk indicator based on present circumstance as a measure for early warning and determining a preventive measure to control risk within an acceptable limits.

In case of a natural disaster or political unrest, the Group has assigned units which are responsible for critical activities to set up a business continuity plan for the mitigation of risks in such cases. The working committee BCM/BCP plays a central role in promotion of the planning and testing business continuity plans as well as a role in monitoring current situation, internally and externally communicating and reporting to the top managements for important decisions.



In 2013, the Bank places importance in the management of operational risk arising from new product and process change as well as risks from existing process. With the aim to improve process to be more appropriate and conservative, process of such management are summarized as follows:

1. Set a guideline on new product and process change for the Group and the Bank. The guideline is approved by the RMC to ensure a thorough review of new products and process changes and ensure that such product or process change has a proper management of risks and is in accordance with the Group's strategy.

2. Set up the New Product and Process Review Sub-Committee (NPPRC) to assist in the thorough and timely consideration of various procedures in issuing a new product and major change of process.

3. Set up the Operational Risk Committee (ORC) which focuses on building operational risk management appropriate for present and past operational risks.

At present, the Group is implementing the "Operational Loss Data Pooling" project that will improve controlling efficiencies, enable a timely and appropriate response to risks and losses, and improve the process of risk management to international standards.

In case of a natural disaster or political unrest in 2014, the Group has assigned units which are responsible for critical activities to set up a business continuity plan for the mitigation of risks in such cases. The working committee BCM/BCP plays a central role in promotion of the planning and testing business continuity plans as well as a role in monitoring current situation, internally and externally communicating and reporting to the top managements for important decisions.

Despite the aforementioned measures taken to control and prevent operational losses including the use of policies, guidelines, tools, processes and resources, unexpected circumstances may occur and possibly have an adverse effect to the Group's customer or reputation.

# Management Discussion and Analysis

The Management Discussion and Analysis (MD&A) report for the year 2013 ended December 31, 2013, comparing operating performance and financial position of the year 2013 with those of the year 2012. This report discusses principal changes in the audited consolidated financial statements.

## Overall Business Operations in 2013

### Commercial Banking Business

The Bank continued to expand loan portfolio emphasizing on hire-purchase mainly used car segment and SMEs loans especially real estate development loans (RE). However, with the asset quality deterioration problem, the Bank was more cautious in growing for both hire-purchase (HP) and real estate development loans (RE) as well as closely monitoring economic, real estate and automotive industry. As a result, the total loan in 2013 grew at the rate of 12.9%yoy.

Total Non-performing loans (NPLs) ratio at the end of 2013 stood at 3.8%, increased from 3.3% at the end of 2012, resulting from an increase of HP's NPL to 2.1% from 1.6% at the end of 2012. Meanwhile, total reserve to mandatory reserve ratio was 186.7%, comparing with 140.0% at the end 2012. This was mainly resulting from the Bank applied Collective Approach as mandatory reserve set up for hire purchase since June 30, 2013. Additionally, the Bank set aside more general provision totaling Baht 805 million as a counter cyclical buffer.

However, as a result of the current situation of the second hand car market, which the price of used cars has dropped by 20-25% compared to that in 2011 and 2012, and the deterioration of credit quality of HP loan since the beginning of 2013, thus in term of asset quality management and control of NPL, the loss from sale of reposed cars was continually happened this year amounting to Baht 1,135 million.

Regarding to deposit products, the Bank reduced Smart Saving account rate by 25bps since 1Q13, and launched several fixed deposit rate promotion in different terms throughout the year. For borrowings, the Bank issued short-term debentures for the period of not more than 270 days amounting Baht 15,905 million, and long-term debentures totaling Baht 8,160 million. Additionally, the policy rate was stable since December 2012 till end of May 2013 at 2.75% prior to a decrease of 25bps to 2.50% and further down to 2.25%

in 4Q13, therefore, cost of fund was 3.9% and loan spread was 4.0%.

For Debt Restructuring business, the Bank was able to sell foreclosed assets totaling Baht 2,777 million, and booked gain from sale of the foreclosed assets of Baht 1,081 million.

### Capital Market Business

Capital market conditions in 2013 affected by the outflow of foreign investment following the concerns over the uncertainty of the Central Bank of the United States have planned to taper off the Quantitative Easing (QE), and the concern on Thai politics uncertainty. While the domestic economy slowdown and expanded below the expectation, the SET index closed at 1,298.71 points at the end of 2013, decreased by 6.7%yoy.

The average daily turnover (SET and mai) in 2013 was Baht 50,329 million, increased from Baht 32,304 million in 2012. The market share (SET and mai excluding proprietary trading) of (PSEC), and KKTRADE was 4.39% and 1.30% respectively. If combined market share, there were 5.6%, ranked 4<sup>th</sup> from total 33 brokers.

In 2013, PSEC was made several large investment banking transactions such as the IPO of BTS Rail Mass Transit Growth Infrastructure Fund (BTSGIF), and MK Restaurant Group Plc., in which KKTRADE was an underwriter for such IPO. Moreover, PSEC was appointed as the financial advisor to the Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU) to make a tender offer to purchase all of the shares of the Bank of Ayudhya Plc.

### Summary of Performance of the Bank and subsidiaries

Operating results of the Bank and subsidiaries for 2013 comparing with those of 2012, when Phatra and PSEC performance was consolidated for 111 days as the merger completed on September 11, 2012.

## The Group's financial performance

Target (%)	Target	Actual Performance				
	2013	2013	1Q13	2Q13	3Q13	4Q13
RETURN ON EQUITY (ROAE)						
the Bank's Net income/the Bank's equity	13.0-15.0	13.0	13.9	14.6	11.7	12.0
the Bank's Net comprehensive income/the Bank's equity	-	14.4	14.7	9.1	10.0	11.9
Loan growth	19.0	12.9	4.3	3.5	2.4	2.1
Loan Spread (incl. DPA fee)	3.7	4.0	3.9	4.2	3.9	3.8
NPL/Total Loans (excluding interbank)	3.0-3.5	3.8	3.2	3.5	3.5	3.8
Total Loan loss reserve/ total NPLs (coverage ratio)	>100.0	100.0	114.8	111.3	110.2	100.0

The consolidated net profit totaled Baht 4,418 million, increased by 30.3 %yoy, of which Baht 1,800 million was the net profit from Capital Market Business operated by Phatra Capital Plc. (Phatra), and subsidiaries i.e. PSEC, KKTRADE, and Phatra Asset Management Co., Ltd. ("PhatraAsset"). Meanwhile, the consolidated comprehensive income was totaling Baht 3,879 million, rose by 14.9%yoy, and the Capital Market Business's comprehensive income was Baht 1,338 million. The comprehensive income included loss on remeasuring available-for-sale securities as a result of the capital market volatility.

The total operating income increased by 23.4%yoy. Net interest income increased by 17.4%yoy, in which total interest income rose by 9.4%yoy mainly from loans, while interest expense increased by 1.7%yoy, mainly coming from deposits as a result of ongoing funding competition especially fixed deposits in different terms. Meanwhile, interest expense on debts issued and borrowings decreased as some were already matured, as well as the steady policy interest rate of 2.75% from December 2012 till end of May 2013 prior to the reduction of the policy interest rate by 25bps to 2.50%, and reduced further to 2.25% in 4Q13.

Net fee and service income increased by 91.1%yoy, mainly attributable to capital market business as a result of the merger completion and the operating performance of Phatra and PSEC were consolidated full year in 2013 comparing with 111 days consolidated Phatra and PSEC's performance since September 12, 2012 onwards. Brokerage fee increased

largely from consolidated PSEC's brokerage fee, the significant increase of average daily turnover in 2013 comparing with that in 2012, as well as the ability to maintain market share of both KKTRADE and PSEC. Investment banking business generated fee income totaling Baht 773 million, mainly derived from the transactions such as the IPO of BTS Rail Mass Transit Growth Infrastructure Fund (BTSGIF), MK Restaurant Group Plc., and the tender offer made by the Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU) to purchase all of the shares of the Bank of Ayudhya Plc.

Moreover, gains on trading and foreign exchange transactions equaled to Baht 443 million which increased by 96.0%yoy. Gain on investment was Baht 637 million, rose by 43.6%yoy and dividend income was Baht 206 million, increased by 811.3%yoy. These were contributed by investment business of Phatra and PSEC.

Other operating expenses increased by 11.0%yoy from the consolidation of operating expenses of Phatra and PSEC full year 2013 comparing with 111 days consolidated Phatra and PSEC' operating expenses. The increase in operating expenses was mainly driven by an increased of employee expenses by 32.8%yoy, and premises and equipment expenses by 9.7%yoy. The cost-to-income ratio reduced to 47.4%, from 51.1% in 2012.

Bad debts, doubtful accounts and loss on debt restructuring totaled Baht 2,240 million, increased by 44.1%yoy. The Bank has set aside more specific provision expense amounting Baht 1,681 million, declined by 4.2%

resulting from the collective approach adoption for HP loans, and more general provision of Baht 255 million as a counter cyclical buffer. The coverage ratio stood at 100.0% compared with 109.8% at the end of 2012.

Basic earnings per share and diluted earnings per share were Baht 5.29 per share and Baht 5.25 per share respectively. Return on Average Equity (ROAE), Return on beginning Equity (ROE) and Return on Average Assets (ROAA) are as follows :

Of the Bank	2011	2012	2013	1Q13	2Q13	3Q13	4Q13
<b>Net Profit (Baht million)</b>	<b>2,273</b>	<b>3,391</b>	<b>4,418</b>	<b>1,162</b>	<b>1,237</b>	<b>990</b>	<b>1,029</b>
ROAE (%)	9.9	12.3	13.0	13.9	14.6	11.7	12.0
ROE (%)	10.4	13.5	13.4	14.1	14.5	11.7	12.2
ROAA (%)	1.4	1.6	1.8	1.9	2.0	1.6	1.7
<b>Comprehensive income (Baht million)</b>	<b>2,192</b>	<b>3,375</b>	<b>3,879</b>	<b>1,236</b>	<b>777</b>	<b>846</b>	<b>1,021</b>
ROAE (%)	9.6	12.2	11.4	14.7	9.1	10.0	11.9
ROE (%)	10.0	13.4	11.8	15.0	9.1	10.0	12.1
ROAA (%)	1.3	1.6	1.6	2.1	1.2	1.3	1.6

## Operating Performance 2013

### Statement of Comprehensive Income

For the three month period ended December 31, (BAHT'000)	CONSOLIDATED		Change	
	2012	2013	Amount	%
Interest income	14,451,703	15,808,672	1,356,969	9.4
Interest expenses	7,338,953	7,461,695	122,742	1.7
Net interest income	7,112,750	8,346,977	1,234,227	17.4
Fees and services income	2,572,765	4,838,173	2,265,408	88.1
Fees and services expenses	292,147	480,966	188,819	64.6
Net fees and services income	2,280,618	4,357,207	2,076,589	91.1
Gain (loss) on tradings and foreign exchange transactions	225,865	442,681	216,816	96.0
Gain on investments	443,304	636,768	193,464	43.6
Gain (loss) from sale of foreclosed assets	1,223,813	(54,709)	(1,278,522)	-104.5
Dividend income	22,567	205,659	183,092	811.3
Other operating incomes	208,714	275,973	67,259	32.2
Total operating income	11,517,631	14,210,556	2,692,925	23.4
Other operating expenses Employee's expenses	3,034,642	4,030,520	995,878	32.8
Directors' remuneration	18,967	18,333	(634)	-3.3
Premises and equipment expenses	1,026,197	1,125,825	99,628	9.7
Taxes and duties	288,136	347,337	59,201	20.5
Loss from revaluation of foreclosed assets	85,987	(299,224)	(385,211)	-448.0
Other expenses	1,475,500	1,356,692	(118,808)	-8.1
Total other operating expenses	5,929,429	6,579,483	650,054	11.0



## Statement of Comprehensive Income (Continue)

For the three month period ended December 31, (BAHT'000)	CONSOLIDATED		Change	
	2012	2013	Amount	%
Impairment loss of loans and debt securities	1,554,971	2,240,155	685,184	44.1
Profit from operating before income tax expenses	4,033,231	5,390,918	1,357,687	33.7
Income tax expenses	605,446	951,043	345,597	57.1
Net profit	3,427,785	4,439,875	1,012,090	29.5
<b>Net profit attributable to:</b>				
Equity holders of the Bank	3,391,287	4,418,191	1,026,904	30.3
Non-controlling interest	36,498	21,684	(14,814)	-40.6
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Bank	3,375,257	3,878,818	503,561	14.9
Non-controlling interest	38,619	23,427	(15,192)	-39.3
<b>Earnings per share of Equity holders of the Bank</b>				
Basic earnings per share (Baht)	4.88	5.29	0	8.4
Diluted earnings per share (Baht)	4.85	5.25	0	8.2

**Interest income** was Baht 15,809 million, rose by 9.4%yoy, contributing from interest income from hire purchase and financial lease income totaling Baht 9,834 million, up 17.6%yoy, relative to continually expansion of hire purchase business at the growth rate of 9.8%yoy. Interest income from loans totaled Baht 4,314 million, increased by 19.2%yoy following continuous strong growth of corporate lending business at the rate of 25.8%yoy.

Interest income from investment in loan, depending on success of debt negotiation and litigation process, was Baht 557 million, declined by 37.2%yoy. Meanwhile, interest income from investment dropped by 17.0%yoy, mainly from investment in fixed income portfolio. Interest income from interbank and money market declined by 49.3%yoy resulting from interest rate environment in money market as well as liquidity of the Bank.

For the year ended	Consolidated		Change	
	Dec 31, 2012	Dec 31, 2013	Baht million	%
<b>Interest income</b>	<b>14,452</b>	<b>15,809</b>	<b>1,357</b>	<b>9.4</b>
Interest on loans	3,620	4,314	694	19.2
Interest on interbank and money market items	645	327	(318)	(49.3)
Hire purchase and financial lease income	8,365	9,834	1,469	17.6
Interest on securities	935	777	(159)	(17.0)
Interest on investment in loans	886	557	(330)	(37.2)

**Interest expenses** were Baht 7,462 million, increased by 1.7%yoy, mainly driven by interest expense on deposits, while interest expense on debt issued and borrowing declined 51.7%yoy due to the redemption of matured debentures, and the discontinued issuing Bills of Exchange (BE) to retail depositors. Also, the policy rate remained at 2.75% from December 2012 till the end of May 2013 before being reduced by 25bps to 2.50%, and further down to 2.25% in 4Q13, therefore, the deposit rate in the market has not been reduced much lower, also special promotion for different term deposits has been launched by commercial banks to gather deposits to support credit growth.

**Net interest income** was Baht 8,347 million, up by 17.4%yoy. Loan spread equaled to 4.0%, while cost of fund was 3.9%, slightly declined from 4.0% in 2012. Meanwhile, yield on loan was 7.9%, similar to that in 2012.

In 2Q13, loan spread jumped significantly to 4.2%, higher than normal as a result of debt repayment from non-performing real estate development loan so loan yield was higher than normal.

**Net fee and service income** was Baht 4,357 million, increased by 91.1%yoy, mainly attributable to fee and service

income amounting to Baht 4,838 million, up by 88.1%yoy. That was comprised of 1) fee from banking business totaled Baht 1,804 million, rose by 17.3%yoy, largely from bancassurance business of Baht 973 million, 2) fee income from capital market business including brokerage income totaling Baht 2,159 million, increased mainly from the combined PSEC brokerage income, which increased in line with favorable capital market. Investment Banking fee including financial advisory fee and underwriting fee totaled Baht 773 million, and fee from private fund business totaled Baht 83 million, and fee from fund management business operating by PhatraAsset, totaled Baht 78 million. Meanwhile, total fee and service expense was Baht 481 million, up 64.6%yoy, mainly coming from fee expense for brokerage business.

**Other operating income** totaled Baht 14,211 million, increased by 23.4%yoy resulting from an improvement in net interest income, and net fee and service income as mentioned earlier. Gain on investments totaled Baht 637 million, dividend income totaled Baht 206 million, gain on trading and foreign exchange transaction totaled Baht 443 million which mainly contributed from investment business of PSEC and Phatra i.e. Equity and Derivatives Trading, Hedge Fund, and

For the year ended	Consolidated		Change	
	Dec 31, 2012	Dec 31, 2013	Baht million	%
<b>Interest expense</b>	<b>7,339</b>	<b>7,462</b>	<b>123</b>	<b>1.7</b>
Interest on deposits	3,850	5,208	1,358	35.3
Interest on interbank and money market items	199	121	(78)	(39.3)
Interest on debt issued and borrowings	2,599	1,255	(1,344)	(51.7)
Fees and charges on borrowings	9	3	(6)	(67.5)
FIDF and DPA fees	683	875	192	28.1

%	2011	1Q12	2Q12	3Q12	4Q12	2012	1Q13	2Q13	3Q13	4Q13	2013
Yield on loan	7.8	7.3	8.4	7.8	7.9	7.9	7.9	8.1	7.8	7.6	7.9
Cost of fund	3.5	3.8	4.0	4.0	4.0	4.0	4.0	3.8	3.8	3.8	3.9
Loan spread	4.3	3.5	4.4	3.7	3.9	3.9	3.9	4.2	3.9	3.8	4.0

Direct Investment. Meanwhile, there was a loss from sale of foreclosed assets of Baht 55 million due to higher loss from sale of repossessed cars amounting Baht 1,135 million in 2013, while gain from sale of foreclosed assets of Baht 1,081 million.

**Other operating expenses** were Baht 6,579 million, rose by 11.0%yoy, largely from personnel expense and premises and equipments expense increased by 32.8%yoy and 9.7%yoy respectively, resulting from the merger with Phatra. Cost-to-income ratio was 47.4%, comparing with 51.1% in 2012.

**Bad debts and doubtful accounts and loss on debt restructuring** were totally Baht 2,240 million, decreased by 44.1%yoy. This comprised of bad debts and doubtful accounts amounting to Baht 1,681 million, reduced by 4.2%yoy, as a specific provision following rising NPL and the Bank adopted the collective approach to measure mandatory reserve for HP loans. Additionally, the general provision of Baht 805 million was set aside in 2013 as a counter cyclical buffer.

**Corporate Income Tax** was Baht 951 million, equivalent to the effective tax rate of 17.6%, the corporate income tax was reduced from 23% in 2012 to 20% for fiscal year 2013. Also income from sale of foreclosed assets under the 8 mutual funds, in which the Bank holds their unit trusts, is not subject to tax expense.

## Statements of Financial Position

**Assets**, as at December 31, 2013, were totally Baht 249,109 million, up Baht 16,096 million or 6.9%yoy. Total loans net deferred revenue grew by 12.9%ytd, from Baht 168,994 million at the end of 2012, to Baht 190,803 million, driven mainly from hire-purchase and real estate lending growth. Securities and derivative business receivables were Baht 10,207 million, surged by 111.8%yoy from securities brokerage business. Net interbank and money market increased by 29.3%yoy, following liquidity management to match with interest rate and market environment

Meanwhile, net investment in securities was Baht 26,970 million, decreased by 28.3%yoy from government and state enterprise securities in trading securities. Net investment in loans was Baht 3,885 million, declined by 17.8%yoy as a result of continually debt negotiation process. Net foreclosed assets declined by 17.6%ytd to Baht 4,103 million.

The Bank and subsidiaries' gross non-performing loans (gross NPLs) were Baht 7,283 million, or 3.8% of total loans, increased from Baht 5,628 million or 3.3% of total loans at the end of 2012. Allowance for bad debt and doubtful accounts to total NPLs was 100.0%, comparing with 109.8% at the end of 2012.

**Liabilities** were totally Baht 213,965 million, increased by 7.1%ytd, deposits were Baht 145,996 million, dropped 4.6%yoy, comprising of 83.0% of term deposits and 16.7% of current and saving accounts (CASA), compared with 83.2% and 16.8% of term deposits and CASA accounts respectively at the end of 2012. This was importantly because the Bank gradually decreased Bills of Exchange (BE) portion and rolled over to term deposits instead.

Meanwhile, debts issued and borrowings were Baht 42,569 million, increased by 46.2%yoy, including total debentures amounting Baht 35,744 million, up 110.3%ytd. The Bank issued short-term debentures for the period of not more than 270 days amounting Baht 15,905 million, and long-term debentures totaling Baht 8,160 million. Meanwhile, Bills of Exchange (BE) for institutional clients were Baht 6,825 million, rose by 43.7%yoy.

At the end of 2013, current and saving accounts were accounted for 12.5% of total interest bearing debt, close to 13.7% at the end of 2012. Loan to deposits and borrowings ratio stood at 101.2% compared with 92.8% at the end of 2012.

**Shareholders' equity of the Bank** was Baht 34,944 million, up 6.2%yoy. Total issued and paid-up capital at the end of 2013 of Baht 8,388 million, increased by 0.7%yoy, mainly from the exercise of ESOP-W2 during the year, with share premium of Baht 9,204 million, rose by 1.3%yoy. An unappropriated retained earnings was Baht 15,919 million, up 17.2%yoy. Additionally, the Bank paid the remaining dividend for the year 2012 of Baht 1.40 per share on May 23, 2013 and the interim dividend of Baht 1.00 per share on September 27, 2013.

The Bank has realigned organization structure after the merger with Phatra by dividing business into 2 groups which are 1) Commercial Banking Business and 2) Capital Market Business

Table : Assets

ASSETS (BAHT'000)	CONSOLIDATED		Change	
	Dec 31, 12	Dec 31, 13	Amount	%
Cash	1,392,284	1,230,769	(161,515)	-11.6
Interbank and money market items, net	7,525,276	9,728,606	2,203,330	29.3
Derivatives assets	87,585	373,561	285,976	326.5
Investments in securities, net	37,623,838	26,970,711	(10,653,127)	-28.3
Investments in receivables, net	4,726,345	3,884,705	(841,640)	-17.8
Investments in properties, net	77,746	57,300	(20,446)	-26.3
Loans and accrued interest receivables, net				
Loans	190,260,441	213,404,498	23,144,057	12.2
Securities business receivables	606,437	614,483	8,046	1.3
Accrued interest receivables	1,010,596	1,250,012	239,416	23.7
Total loans and accrued interest receivables	191,877,474	215,268,993	23,391,519	12.2
Less Deferred revenue	(21,872,843)	(23,215,481)	1,342,638	6.1
Less Allowance for doubtful accounts	(6,143,902)	(7,251,648)	1,107,746	18.0
Less Allowance for troubled debt restructuring	(27,789)	(23,415)	4,374	-15.7
Net loans and accrued interest receivables	163,832,940	184,778,449	20,945,509	12.8
Properties foreclosed, net	4,979,625	4,102,669	(876,956)	-17.6
Land, premises and equipment, net	1,369,832	1,223,427	(146,405)	-10.7
Other intangible assets, net	325,486	425,028	99,542	30.6
Goodwill	3,085,290	3,085,607	317	0.0
Deferred tax assets	618,666	720,745	102,079	16.5
Securities and derivative business receivables	4,818,085	10,207,069	5,388,984	111.8
Accounts receivable from Clearing House	756,716	460,995	(295,721)	-39.1
Other assets	1,792,966	1,859,483	66,517	3.7
<b>Total assets</b>	<b>233,012,680</b>	<b>249,109,124</b>	<b>16,096,444</b>	<b>6.9</b>



Table : Liabilities

LIABILITIES (BAHT'000)	CONSOLIDATED		Change	
	Dec 31, 12	Dec 31, 13	Baht million	%
Deposits	153,027,238	145,996,498	(7,030,740)	-4.6
Current Account	206,153	191,045	(15,108)	-7.3
Saving Account	25,541,035	24,140,160	(1,400,875)	-5.5
Term Deposits	127,280,050	121,234,615	(6,045,435)	-4.7
Certificate of Deposit	0	430,679	(430,679)	-
Interbank and money market items, net	5,468,407	6,656,021	1,187,614	21.7
Liabilities payable on demand	374,595	414,296	39,701	10.6
Derivatives liabilities	7,931	634,115	626,184	7,895.4
Debt issued and borrowings	29,123,336	42,569,029	13,445,693	46.2
Debentures	16,999,360	35,744,113	18,744,753	110.3
Bills of Exchange	12,123,975	6,824,915	(5,299,060)	-43.7
Provisions	327,599	374,709	47,110	14.4
Deferred tax liabilities	163,329	126,893	(36,436)	-22.3
Accounts payable to clearing house	149,364	1,050,733	901,369	603.5
Securities and derivative business payables	4,757,450	8,886,919	4,129,469	86.8
Accrued interest expenses	834,779	1,059,165	224,386	26.9
Other accounts payable	1,962,853	1,910,219	(52,634)	-2.7
Legal Execution Department payable	575,380	575,380	-	0.0
Income tax payable and specific business tax payable	376,285	526,922	150,637	40.0
Other liabilities	2,666,576	3,183,804	517,228	19.4
<b>Total liabilities</b>	<b>199,815,122</b>	<b>213,964,703</b>	<b>14,149,581</b>	<b>7.1</b>

Capital Adequacy ratio (BIS ratio) as at December 31, 2013 is as follows :

Bank only Capital Adequacy Ratio (%) Including 1H13 net profits	Basel II		Basel III	
	Dec 31, 2012	BoT's minimum requirement	Dec 31, 2013	BoT's minimum requirement
Common Equity Tier-1 Ratio	-	-	13.10	4.50
Tier - 1 Capital Ratio	14.01	4.25	13.10	6.00
Tier - 2 Capital Ratio	0.68	-	0.56	-
Capital Adequacy Ratio	14.69	8.50	13.66	8.50

If these include the 2013 net profit, BIS ratio was 14.76% with Tier 1 Capital was 14.21%.

The result of the exercise of ESOP-W2, the warrants to purchase new ordinary shares offered to Directors and/or employees of the Bank and/or its subsidiaries, exercise ratio (warrant: ordinary share) of 1:1 at exercise price of Baht 29.27 per unit. Details are as follows ;

No	Exercise date	Number of warrant holders exercised (person)	Number of ordinary shares derived from this exercise (shares)	Registered and paid-up capitals (Baht)	Trading date
1	30/9/2011	-	-	6,343,288,640	-
2	30/12/2011	31	319,400	6,346,482,640	11/01/2012
3	30/3/2012	143	1,921,050	6,365,693,140	11/04/2012
4	29/6/2012	30	234,900	6,368,042,140	10/7/2012
5	29/9/2012	239	4,047,900	8,328,318,590	11/10/2012
6	28/12/2012	70	846,400	8,336,782,590	11/01/2013
7	30/3/2013	81	1,231,800	8,349,100,590	10/4/2013
8	30/6/2013	24	918,600	8,358,286,590	9/7/2013
9	30/9/2013	169	3,004,450	8,388,331,090	9/10/2013
10	2/1/2014	20	154,350	8,389,874,590	10/1/2014

The remaining ESOP-W2 was 13,211,150 units, and the last exercise day will be June 30, 2015.

### Business Segment Performance

The Bank has realigned organization structure after the merger with Phatra by dividing business into 2 groups which are 1) Commercial Banking Business and 2) Capital Market Business

**Commercial Banking Business** including retail lending, commercial lending, and Special Asset Management (SAM) or distressed asset management loan. The breakdown of total loan portfolio is as follows;

Type of loans	December 31, 2012		December 31, 2013		Change
	(Baht million)	%	(Baht million)	%	(%yoy)
<b>Retail Lending</b>	<b>127,780</b>	<b>75.6</b>	<b>139,737</b>	<b>73.2</b>	<b>9.4</b>
Hire Purchase	122,093	72.2	134,019	70.2	9.8
Personal Loan	3,490	2.1	3,620	1.9	3.7
Micro-SMEs Loan	1,692	1.0	1,655	0.9	(2.1)
Housing Loan	505	0.3	443	0.2	(12.3)
<b>Commercial Lending</b>	<b>39,306</b>	<b>23.3</b>	<b>49,434</b>	<b>25.9</b>	<b>25.8</b>
Real Estate Development	20,446	12.1	28,537	15.0	39.6
SMEs loan	18,860	11.2	20,897	11.0	10.8
<b>Special Asset Management loan</b>	<b>1,302</b>	<b>0.8</b>	<b>1,019</b>	<b>0.5</b>	<b>(21.8)</b>
<b>Other loans</b>	<b>606</b>	<b>0.4</b>	<b>614</b>	<b>0.3</b>	<b>1.3</b>
<b>Total loans and account receivables</b>	<b>168,994</b>	<b>100.0</b>	<b>190,803</b>	<b>100.0</b>	<b>12.9</b>

**Retail Banking loans** totaled Baht 139,737 million, grew by 9.4%ytd including hire purchase loan, personal loan, Micro-SMEs loan, and housing loan, details are as follows;

Hire purchase business was Baht 134,019 million, up 9.8%yoy. New hire purchase business volume approved in 2013 totaled Baht 54,697 million (1Q13 = Baht 14,360 million, 2Q13 = Baht 13,373 million, 3Q13 = Baht 13,946 million, and 4Q13 = Baht 13,019 million). The portion of new cars versus used cars was at 53:47.

Domestic new car sales in the 2013 reported at 1,330,678 units, dropped by 7.2% comparing with the same period of 2012. The penetration rate of KK new car hire purchase to the domestic car sales stood at 4.0% for 2013. The NPLs of hire-purchase loan increased to 2.1%, surged from 1.6% at the end of 2012.

Housing loan declined from the end of 2012. The Bank does not offer mortgage loan and book the loan, but joins the Housing Loan Project of Secondary Mortgage Corporation (SMC), so the Bank will sell such housing loans to SMC to manage further.

**Commercial lending** business including real estate development loans and SMEs loan, details are as follows;

Real estate development loans (RE) were Baht 28,537 million, grew by 39.6%yoy as a result of strong business expanding outward to other fast-growing business districts. Meanwhile, the Bank still places great effort to help and support our customers in order to reduce NPLs. The NPLs stood at 8.3%, decreased from 9.6% at the end of 2012.

SMEs loans were Baht 20,897 million, grew by 10.8%ytd. SMEs loan comprises of several business sectors including apartment, floor plan, logistic, and printing and packaging. Its NPLs stood at 4.4%, up from 3.3% at the end of 2012, mainly from floor plan business.

**Special Asset Management (SAM)** is responsible for distressed asset management business and sale of foreclosed assets. SAM business includes investment in loans totaling Baht 3,885 million, reduced by 17.8%ytd, commercial loans prior to financial crisis and financial claim loans decreased by 21.8%yoy, amounting to Baht 1,019 million, and net foreclosed assets totaled Baht 4,013 million, dropped by 17.6%yoy.

## NPLs distributed by loan type (consolidated)

Type of loans	December 31, 2012			December 31, 2013		
	Baht million	%	% of loans	Baht million	%	% of loans
<b>Retail Lending</b>	<b>2,345</b>	<b>41.7</b>	<b>1.8</b>	<b>3,231</b>	<b>44.4</b>	<b>2.3</b>
Hire Purchase	1,936	34.4	1.6	2,762	37.9	2.1
Personal Loan	62	1.1	1.8	112	1.5	3.1
Micro-SMEs Loan	112	2.0	6.6	143	2.0	8.7
Housing Loan	236	4.2	46.6	213	2.9	48.2
<b>Commercial Lending</b>	<b>2,584</b>	<b>45.9</b>	<b>6.6</b>	<b>3,290</b>	<b>45.2</b>	<b>6.7</b>
Real Estate Development	1,955	34.7	9.6	2,379	32.7	8.3
SMEs loan	629	11.2	3.3	911	12.5	4.4
<b>Special Asset Management loan</b>	<b>692</b>	<b>12.3</b>	<b>53.1</b>	<b>755</b>	<b>10.4</b>	<b>74.2</b>
<b>Other loans</b>	<b>6</b>	<b>0.1</b>	<b>1.1</b>	<b>6</b>	<b>0.1</b>	<b>1.0</b>
<b>Total</b>	<b>5,628</b>	<b>100.0</b>	<b>3.3</b>	<b>7,283</b>	<b>100.0</b>	<b>3.8</b>

The consolidated NPL ratio was at 3.8%, increased from the end of 2012, mainly from used car HP loan segment. Meanwhile, the Bank is still closely monitoring and controlling of non-performing loans portfolio.

Total allowance for doubtful accounts and troubled debt restructuring stood at Baht 7,275 million, equivalent to 100.0% of total NPLs, comprising of allowance for doubtful accounts (specific reserve) totaling Baht 6,024 million, and general provision totaling Baht 1,228 million. As of June 30, 2013, the Bank applied Collective Approach as mandatory reserve set up for hire purchase portfolio resulting to total reserve to mandatory reserve ratio equaled to 186.7% at the end of 2013.

**Capital Market business** comprises of brokerage business, investment banking business, investment business, and asset management business. Details are as follows;

- **Equity and Derivative Brokerage Business**

Phatra Securities Plc. ("PSEC") operates Agency Business providing both securities and derivatives brokerage services to all type of investors both local and foreign investors, as well as high net worth individuals under Private Wealth Management, in which PSEC provides mutual fund selling agent. For 2013, the market share of PSEC was 4.39%, ranked 9<sup>th</sup> from total 33 brokers. PSEC generated brokerage fee totaled Baht

1,538 million including brokerage fee of Baht 1,380 million, derivative brokerage business of Baht 75 million, and other income of Baht 83 million.

KKTRADE Securities Co., Ltd. ("KKTRADE") providing brokerage services to mainly retail investors, with the market share of 1.30% in 2013 for both in SET and mai, ranked 25<sup>th</sup> from total 33 brokerage houses. KKTRADE generated agency fee totaling Baht 621 million, including brokerage fee of Baht 574 million, and derivative brokerage fee of Baht 47 million.

- **Investment Banking Business**

Investment banking business, operated by PSEC, provides financial advisory service as well as underwriting service, the revenue from IB business was Baht 773 million in 2013, mainly contributed from tender offer agent fee totaling Baht 252 million, financial advisory fee amounting Baht 83 million, and other fee of Baht 11 million.

- **Investment Business**

Investment Business is managed by 3 departments in which Phatra operates Direct Investment business, by Investment Department, with medium to long-term investment horizon, while PSEC manages short-term investment, by Investment and Trading Group, comprising Equity and Derivatives Trading Department focusing on equity and equity-linked securities in the capital market and



derivative market, with short-term investment not more than 1 year by applying Arbitrage investment strategy as well as issuing and offering financial structured products, and Hedge Fund Department focusing on equity and derivative trading with less than 1 year investment horizon, applying Market Neutral strategy and advanced statistical modeling.

During the end of 1Q13 continuing 2Q13, SET index surged up significantly, then drastically declined throughout 2H13, therefore the revenue of Direct Investment business was only Baht 47 million. For Hedge Fund business, the model made profit less than expectation with Baht 102 million. However, the high volatility of the capital market provided opportunity for Investment and Trading Group to make gain on investment totaling Baht 514 million. Additionally, there were other

investment incomes from treasury and liquidity management, resulting to overall investment income of Baht 803 million.

#### • Asset Management Business

PhatraAsset operates asset management business. At the end of 2013, PhatraAsset's AUM stood at Baht 24,725 million; with total 26 funds under management consisting of 22 mutual funds and 4 property funds. Phatra Asset's market share in term of mutual fund accounted for 0.80% out of the entire mutual fund segment that carried 1,456 mutual funds among 22 asset management peers with total AUM equaled to Baht 3,075,956 million. In 2013, income from asset management business totaled Baht 78 million.

Moreover, PSEC started private fund business in April 2012. At the end of 2013, there was Baht 4,414 million of assets under management, with the market share of 1.03%.

#### Credit Rating by TRIS Rating Co., Ltd

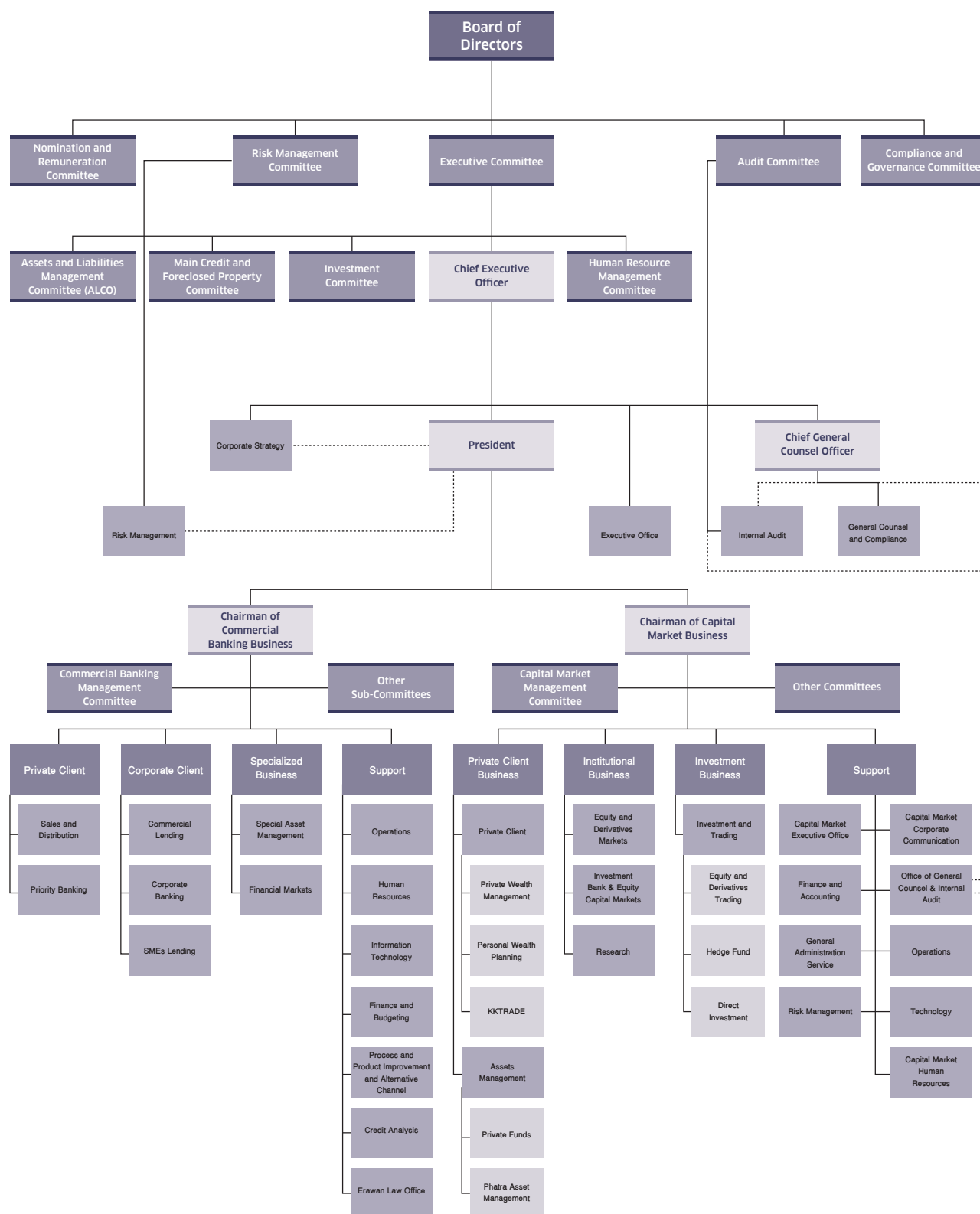
Credit Rating	November 30, 2011	February 14, 2012	March 14, 2013	August 21, 2013
<b>Company Rating</b>	<b>A-</b>	<b>A-</b>	<b>A-</b>	<b>A-</b>
<b>Issue Rating</b>				
KK127A: Bath 2,493 million senior debentures due 2012	A-	A-	-	-
KK120A: Bath 2,000 million senior debentures due 2012	A-	A-	-	-
KK142A: Bath 2,905 million senior debentures due 2014	-	-	A-	A-
KK144A: Bath 2,485 million senior debentures due 2014	-	-	A-	A-
KK140A: Bath 2,000 million senior debentures due 2014	-	-	A-	A-
KK165A: Bath 3,500 million senior debentures due 2016	-	-	-	A-
KK168A: Bath 1,500 million senior debentures due 2016	-	-	-	A-
KK16DA: Bath 975 million senior debentures due 2016	-	A-	A-	A-
KK187A: Bath 240 million senior debentures due 2018	A-	A-	A-	A-
KK18DA: Bath 625 million senior debentures due 2018	-	A-	A-	A-
KK18DB: Bath 10 million senior debentures due 2018	-	A-	A-	A-
Up to Bath 10,000 million senior debentures due with in 2020	-	-	-	A-
<b>Rating outlook</b>	<b>Positive</b>	<b>Positive</b>	<b>Positive</b>	<b>Positive</b>

Source : TRIS Rating Co., Ltd. Announcement

# Corporate Governance

## Board and Committee Structure

The Bank has separated the Board of Directors into 6 individual groups in order to manage its major functions, consisting of Board of Directors, Audit Committee, Nomination and Remuneration Committee, Compliance and Governance Committee, Risk Management Committee, and Executive Committee. All details as of December 31, 2013 are stated below.



## 1. Board of Directors

As the representative of the shareholders, Board of Directors has roles, duties and responsibilities to conduct the Bank's business to achieve stability, satisfaction and integrity; it also does refrain from any conflict of interest. The scope of authorities of the board is as follows:

(1) The Board shall determine business direction and establish overall strategic goal of the Bank. The Board shall review and approve the Bank's policies proposed by the Executive Committee, including those policies that are in compliance with laws and regulations. In order to protect the benefits of the Bank and its shareholders the Board shall oversee and monitor the implementation of these policies through the Executive Committee and ensure that they are carried out as planned, efficiently and effectively.

(2) The Board shall ensure that the principles of the Bank's Code of Conduct and Code of Ethics are in place. These principles are to be adopted as practice guidelines for management and employees in the organization.

(3) The Board shall oversee and monitor the Sub Committees to ensure that management establishes corporate governance guidelines that are in compliance with laws and regulations. The guidelines shall be appropriate to the Bank's activities. The Board shall approve the guidelines. In addition, the Board shall monitor and evaluate the effectiveness of the system, and provide feedback to management to help improve the system.

(4) The Board shall ensure that the Bank, through the Risk Management Committee, establishes policies related to risk management and control. These policies, at the minimum, shall include policies on credit risk, market risk, investment risk, liquidity risk, operational risk, reputational risk, legal risk, and strategic risk. These policies must be approved by the Board. Moreover, the Board shall regularly review and monitor the execution of these policies.

(5) The Board shall ensure that the Bank has effective internal control and audit in place.

(6) The Board shall oversee that the check and balance of power between management and major shareholders is suitable. This should be done with the emphasis on creating a good proportion of independent directors among Board members.

(7) To support its oversight over the Bank's operation, the Board shall establish the following committees - Audit Committee, Nomination and Remuneration Committee, Risk Management Committee, and Executive Committee. It is the Board's responsibility to determine the roles and responsibilities of each committee. Additionally, the Board is responsible for appointment of committee members.

(8) Management shall inform and update the Board on any important matters. To enable the Board to perform its duties effectively, it is necessary to have good information dissemination process from management to the Board in place.

(9) The Board is responsible for the approval of the Bank's annual financial reports audited by external auditors. Prior to the Board approval, the reports should be reviewed by the Executive Committee and Audit Committee. The shareholders shall approve the reports at the annual shareholders' meeting. In addition, the Board will receive recommendations, through a Management Letter provided by the external auditors and recommendations provided by the Executive Committee.

(10) The Board shall appoint and establish a scope and authority of executive officers, starting from the Executive Vice President level and higher.

(11) The Board shall ensure that the Bank has in place its policies related to loans and investment with related parties.

(12) The Board shall review and approve procedures that are related to authorization of investment lending, commitments, or any transactions with loan-like characteristics, purchases and spending. This is for the benefits of the Bank and in compliance with related laws and regulations.

(13) The directors are required to have at least 50% attendance of all the meetings held in a year.

Furthermore, Board of Directors may seek further professional opinion from external consultants on the operation of the Bank with the expenses borne by the Bank.

The Board holds a meeting at least once each quarter with the quorum consisting of at least two-thirds of the members of the Board; the meeting resolution is accepted by the majority rule from the present committees in the meeting. The Chairman of the Board of Directors is not allowed to give an additional casting vote.

Board of Directors consists of 15 directors: 6 independent directors, 3 executives, 6 non-executives, and together with a company secretary. All names are listed as following;

- (1) Mr. Supol Wattanavekin  
Chairman / Non-Executive Director
- (2) Mr. Pichai Dachanapirom  
Independent Director
- (3) Assoc. Prof. Manop Bongsadatt  
Independent Director
- (4) Mr. Chet Pattrakornkul  
Independent Director
- (5) Mr. Pravitt Varutbangkul  
Independent Director
- (6) Mr. Anumongkol Sirivedhin  
Independent Director
- (7) Mr. Pongtep Polanun  
Independent Director
- (8) Mr. Tarnin Chirasoonon  
Non - Executive Director
- (9) Mr. Suraphol Kulsiri\*  
Non - Executive Director
- (10) Mr. Suvit Mapaisansin\*  
Executive Director
- (11) Mr. Banyong Pongpanich\*  
Executive Director
- (12) Mr. Aphinant Klewpatinond\*  
Executive Director
- (13) Mr. Krittiya Veeraburus  
Executive Director
- (14) Ms. Thitinan Wattanavekin\*  
Executive Director
- (15) Mr. Pracha Chumnarnkitkosol  
Executive Director  
Ms. Pornpip Chuprakhun  
Company Secretary

\* Director with power of attorney

## 2. Audit Committee

Audit Committee carries out the following duties as assigned by Board of Directors:

(1) The Committee shall review the Bank's financial reporting process to ensure that it is accurate and adequate.

(2) The Committee shall review and evaluate the Bank's internal control system and internal audit system to ensure that they are suitable and efficient, to determine the internal audit unit's independence, as well as to approve the appointment, transfer and dismissal of the chief of the internal audit unit or any other unit in charge of an internal audit unit.

(3) The Committee shall consider, select and nominate an independent person to be the Bank's auditor, and to propose such person's remuneration, as well as to attend a non-management meeting with the auditor at least once a year.

(4) The Committee shall consider the disclosure of the Bank's information, connected transactions, or the transactions that may lead to conflict of interests to comply with the laws and the Stock Exchange of Thailand's regulations, and to ensure that such transactions are reasonable and for the highest benefit to the Bank.

(5) The Committee shall set up and state in writing the duties of the audit committee including the changing in the composition and any change that significantly affect the audit committee's performance as approved by the Bank's Board of Directors, and inform the shareholders in its annual report.

(6) The Committee shall prepare a report on corporate governance activities by the audit committee and disclose it in the Bank's annual report, signed by the audit committee's chairman and consists of at least the following information:

- (a) an opinion on the accuracy, completeness and credibility of the Bank's financial report,
- (b) an opinion on the adequacy of the Bank's internal control system,
- (c) an opinion on the compliance with the law on securities and exchange, the Stock Exchange of Thailand's regulations, or the laws relating to the Bank's business,
- (d) an opinion on the suitability of the auditor,
- (e) an opinion on the transactions that may lead to conflicts of interests,
- (f) the number of the audit committee meetings, and the attendance of such meetings by each committee member,
- (g) an opinion or overview comment received by the audit committee from its performance of duties in accordance with the charter, and



(h) other transactions which, according to the audit committee's opinion, should be known to the shareholders and general investors, subject to the scope of duties and responsibilities assigned by the Bank's Board of Directors.

(7) The Committee shall report to Bank's Board of Directors in order that remedial action is taken within the time that the audit committee deems appropriate in case the audit committee finds or suspects any misconduct as follows:

- (a) a transaction which causes a conflict of interest;
- (b) any fraud, irregularity, or material defect in an internal control system; or
- (c) any violation of the laws pertaining to financial institutions, the law on securities and exchange, the Stock of Exchange of Thailand's regulations, the Bank of Thailand's regulations or other laws and regulations related to banking business and securities and any other laws.

If the Bank's board of directors or management fails to make rectify within the period specified by the audit committee, the committee shall disclose such transaction or act in the annual report and report to the Bank of Thailand, the office of the Securities and Exchange Commission or the Stock Exchange of Thailand accordingly.

(8) The audit committee has the authority to inspect or to question any relevant personnel regarding any related issues of the Bank. The audit committee is authorized to hire or bring in specialists to assist with the auditing process, as deemed appropriate.

(9) If necessary, the audit committee may invite the management team or any relevant person (s) to join the meeting to give additional information related to the matter being audited.

(10) The Committee shall coordinate with the risk management committee to ensure that management adheres to the Bank's risk management policy.

(11) The Committee shall perform any other act as assigned by the Bank's board of directors and accepted the audit committee.

The Audit Committee is required to meet at least once each quarter; the quorum consists of not less than half of the total number of members, and the meeting resolution is accepted

by the majority rule of members present in the meeting.

The Chairman and members of the committee, a total of 4, are all independent directors as follows:

- (1) Mr. Pichai Dachanapirom  
Chairman
- (2) Mr. Chet Pattrakornkul  
Member
- (3) Mr. Pravut Varutbangkul  
Member
- (4) Mr. Anumongkol Sirivedhin  
Member  
Dr. Narong Predanan  
Secretary

Mr. Pichai Dachanapirom, Chairman of the Audit Committee, who has the experience to be able to review the credibility of the financial report. He graduated with Bachelor's degree in Accountancy from Thammasat University and holds a certified public accountant registered No. 2421 (details of history and experience are as described in the Board of Directors and the Executive Committee).

### 3. Nomination and Remuneration Committee:

The committee carries out the duties assigned by Board of Directors. The component, authorities and responsibilities of the committee includes:

(1) The Committee shall establish criteria and process in nominating directors and executive officers from the vice president level and higher in order to propose to the Bank's Board of Director, as well as shall select and propose the appropriate-qualified-persons to be in the position of directors, members of the sub-committee, and the executive officers for the Board of Directors' consideration.

(2) The Committee shall consider the size and composition of the Board of Directors that are appropriate to the Bank. Generally, the Board shall consist of qualified individuals with knowledge and experience from diverse areas. If there's any changes in circumstances, it is the Committee's duty to review and refine the selection criteria, as appropriate.

(3) The Committee shall ensure that the criteria and process details of the nomination are appropriately disclosed in the Bank's annual reports.

(4) It is the Committee's responsibility to oversee that directors and management receive remuneration and benefits that commensurate to their duties and responsibilities. Any directors, who are assigned with more responsibilities, shall be compensated appropriately.

(5) The Committee shall consider the remuneration and other benefit of the directors, Chief Executive Officer and Chairman of the Group Business or equivalent and propose to the Board of Director. In addition, the Committee shall establish the payment policy of the remuneration and other benefit of the executive officers from the vice president level and higher in order to be the guideline for consideration of remuneration and other benefit by the Human Resources Committee Group.

(6) The Committee shall establish guidelines for performance evaluation of the directors, Chief Executive Directors and Chairman of Group Business or equivalent for the Board of Directors' consideration. The Committee shall also establish guidelines for performance evaluation of the executive officers from the vice president level and higher for the Human Resources Committee Group's consideration. These guidelines will assist the Committee in considering an annual adjustment taking into account the roles and responsibilities, related risks, and the increasing value of shareholders' proportion.

(7) The Committee shall ensure that the criteria related to remuneration and benefits are included in the Bank's annual report. Additionally, the annual report shall present guidelines for remuneration and benefits consideration and recommendations from the Committee.

(8) The Committee shall ensure that bank has a succession plan for executive officers from the Executive Vice President level and higher in place.

The Nomination and Remuneration Committee shall meet at least twice a year; the quorum consists of not less than half of the total members, and the meeting resolution is accepted by the majority rule of members present in the meeting.

The committee comprises of 4 members, are all independent directors as follows:

- (1) Assoc. Prof. Manop Bongsadadt  
Chairman
- (2) Mr. Chet Pattrakornkul  
Member

(3) Mr. Anumongkol Sirivedhin

Member

(4) Mr. Pravit Varutbangkul

Member

Mr. Wittapon Jawjit

Secretary

#### 4. Compliance and Governance Committee

The committee carries out the duties assigned by Board of Directors. The component, authorities and responsibilities of the committee includes:

(1) The Committee, through the Compliance Unit, shall oversee that the Bank and its subsidiaries in the financial service group conduct businesses in compliance with laws and regulations. Their practices should also comply with the Code of Ethics, Corporate Governance Guidelines and the Compliance Policy.

(2) The Committee shall ensure that the compliance system and corporate governance practice are in place. The systems should be functioned efficiently and independently.

(3) The Committee shall approve annual compliance plan proposed by the Compliance Unit. It shall also monitor performance of the Unit and ensure that the Unit completes its tasks and achieves targets according to plans.

(4) The Committee shall provide recommendations on the Annual Compliance Report. This report shall be reviewed and approved by the Board prior to its submission to a regulatory agency.

(5) The Committee shall develop guidelines on best practices and the Code of Conduct for the Board and each committee. The guidelines shall also be provided to executive officers and employees of the Bank and its subsidiaries in the financial service group.

(6) The Committee shall approve the appointment and rotation of the Compliance Unit Chief. It also is responsible for performance review of the Head of Compliance Unit.

The Compliance and Governance Committee shall meet at least once each quarter; the quorum consists of not less than half of the total number of members, and the meeting resolution is accepted by the majority rule of members present in the meeting.

The committee consists of 4 members as follows:

1. Mr.Chet Pattrakornkul  
Chairman\*
2. Mr.Pravit Varutbangkul  
Member\*
3. Mr.Tarnin Chirasoonton  
Member
4. Mrs. Patraporn Milindasuta  
Member  
Mr. Aphichart Chongsanguanpradab  
Secretary

Note \*Independent Director

## 5. Risk Management Committee

The committee's components, authorities and responsibilities are as follows:

(1) The Committee has a responsibility to set up overall policy on risk management for the Bank and its subsidiaries in the financial service group. This will include major policies on credit risk, market risk, liquidity risk, operational risk and any risk that could adversely affect the Bank's reputation.

(2) The Committee shall develop a risk management strategy that is in consistent with the Bank's policy. The strategy should enable the Committee to monitor and assess that risks are at acceptable levels. Additionally, it is the responsibility of the Committee to set up criteria in considering reserve for asset classification.

(3) The Committee shall review the adequacy and appropriateness of the Bank's policies and systems on risk management. This shall include the review of the implementation and effectiveness of the system.

(4) The Committee shall regularly update the Board on results of operation related to the risk management. This will allow the Board and the Committees to provide feedback that will help modify the operation to be in consistent with the Bank's risk management policy. Such information shall be reported to the Audit Committee and the Compliance & Governance Committee for acknowledgement as well.

(5) The Committee shall approve criteria related to risk management, and/or lending, commitments, and any transactions with loan-like characteristics that are within the risk management framework set by a regulatory agency or

the Bank. It is the Committee's responsibility to consider and establish credit policies and submit them to the Board of Directors for approval.

(6) The Committee shall oversee the risk management of the Bank and its subsidiaries in the financial service group and report results of operation to the Board of Directors.

The Risk Management Committee shall meet at least once each quarter; the quorum consists of not less than half of the total number of members, and the meeting resolution is accepted by the majority rule of members present in the meeting.

The committee consists of 6 members as follows:

1. Mr.Supol Wattanavekin  
Chairman
2. Mr.Banyong Pongpanich  
Member
3. Dr. Anya Khanthavit  
Member
4. Mr. Aphinant Klewpatinond  
Member
5. Mr. Krittiya Veeraburus  
Member
6. Mr.Pracha Chumnarnkitkosol  
Member
7. Mr.Chavalit Chindavanig  
Member
8. Mrs. Patraporn Milindasuta  
Member  
Dr. Popanit Poommarapan  
Secretary

## 6. Executive Committee

The committee's components, authorities and responsibilities are as follows:

(1) The Committee shall propose corporate direction and strategic goal of the Bank and the subsidiaries in order to propose to the Board of Directors.

(2) The Committee shall consider and propose the policy and operating plan of the Bank and the subsidiaries, as proposed by CEO, for the Board of Directors. These policy and plan will assist the Board of Directors in supervising CEO

in terms of management following the approved policy with efficiency and effectiveness.

(3) The Committee shall ensure that the Code of Conduct and Code of Ethics for the directors, executive officers and staff are established and propose to the Board of Directors for approval. Such Codes will be the practicing guidelines for the Bank and the subsidiaries.

(4) The Committee shall approve the Bank's working and operating policy of the Bank and its subsidiaries.

(5) The Committee shall oversee the business operation of the Bank and its subsidiaries in order to ensure that the CEO manages the group's business in accordance with the stated laws and policies.

(6) The Committee shall establish the organization structure of the Bank and its subsidiaries as well as assign other operation matters of the Bank and its subsidiaries to CEO and the Sub-Committees in order to propose to the Board of Directors.

(7) The Committee shall supervise the performance and to establish the roles and responsibilities of the CEO, the Sub-Committees, and executive officers, who were assigned by the Executive Committee to be responsible for the specific job.

(8) The Committee is responsible for approving loan, restructuring loan, sales of main foreclosed, as well as establishing the assets price purchasing from the auction, exercising the right to protest in accordance with the financial amount, and approving the expenses and the lawsuit with the debtors.

The Committee shall meet at least once a month and the quorum of each meeting must be not less than half of the total number of members. The meeting resolution must be accepted by majority rule of director present in the meeting. If the resolution is not consentaneous, the member in the meeting has the right to propose such matter for the Board of Directors' consideration. In this regard, the resolution of the Executive Committee shall be recorded that the meeting unanimously agreed to propose for the Board of Directors' consideration. The resolution by circulation is allowed by every member gives their consents on the resolution paper.

The committee consists of the following 6 members with Mr. Supol Wattanavekin as the advisor:

1. Mr. Banyong Pongpanich  
Chairman
2. Mr. Suvit Mapaisansin  
Member
3. Mr. Aphinant Klewpatinond  
Member
4. Mr. Krittiya Veraburus  
Member
5. Ms. Thitinan Wattanavekin  
Member
6. Mr. Pracha Chumnarnkitkosol  
Member  
Mr. Chavalit Chindavanig  
Secretary  
Mrs. Patraporn Milindasuta  
Assistant Secretary

## 7. Other Committees and Sub-committees

In 2013, Board of Directors has reviewed and approved the establishment of other committees and sub-committees under Executive Committee's totaling 18 committees, under the Risk Management Committee's supervision totaling 2 committees, and under the Board of Directors of Phatra Capital Plc. totaling 6 committees, details are as follows:

### **The committees and sub-committees under supervision of the Executive Committee are:**

1) Commercial Banking Management Committee has 8 Sub-committees as follows;

- 1) Sales and Distribution Sub-Committee
- 2) Deposit Coordinating Sub-Committee
- 3) Business Development & Product Strategy Sub-committee
- 4) New Product & Process Review Sub-committee
- 5) Process Improvement and IT Sub-committee
- 6) IT Procurement Sub-committee
- 7) Procurement Sub-committee
- 8) Property and Equipment Management Sub-committee

2) Main Credit and Foreclosed Property Committee has 4 Sub-committees as follows;

- 1) Credit and Foreclosed Property Committee
- 2) Credit Sub-Committee



3) Asset Appraisal and Valuation Sub-Committee

4) Foreclosed Property Sub-Committee

3) Assets and Liabilities Management Committee has  
1 Sub-committees as follows;

1) Money Desk Sub-committee

4) Investment Committee

5) Human Resources Management Committee

**Sub-committees under supervision of Risk Management  
Committee are as follows;**

1) Asset Quality Review Sub-committee

2) Operational Risk Sub-committee

**Committees under supervision of Phatra Capital Public  
Company Limited are as follows;**

1. Capital Market Human Resources Committee

2. Capital Market Risk Management Committee

3. Capital Market Management Committee

4. IT Steering Committee

5. New Product Review Committee

6. Private Client Group Sub-committee

### **The Board of Directors and Sub-Committees Self Assessment**

The Board of Directors has conducted their annual self-assessment, which includes the performance assessment of the Chief Executive Officer (CEO) and President. The purpose is to determine whether or not, over the past year, they have carried out their duties completely and appropriately according to the framework of authorities and responsibilities and Good Corporate Governance. The assessment result would be gathered and summarized by the company secretary.

The assessment form used for the Board of Directors, the Compliance and Governance Committee, and the Nominations and Remuneration Committee has been adapted from the assessment form from the Corporate Governance Center of the Securities Exchange of Thailand with changes making it suitable for each of the committees. It assesses 6 major aspects: 1) Qualifications of Structure of the Board Members 2) Roles and Responsibilities of the Board Members 3) Board of Directors Meetings 4) Duties of the Board 5) Relationship with the Management and 6) Self Development of Directors and Executives, of which the entire aspects accounted for 55 individual subjects as a whole. The assessment form of the Compliance & Governance

committee has 30 clauses and the assessment form for the Nominations and remunerations Committee has 36 clauses.

The assessment form of the Audit Committee is derived from the assessment form of the Audit committee from the SEC and SET with 2 major headings, namely: 1. The collective duties of the Audit committee 2. The duties of the individual members of the Audit committee contains 94 clauses. The assessment of the performance of the committee is for the purpose of improving working environment so that they may be able to perform their duties properly and to review the duties of the Audit committee so as to improve the charter of the Audit Committee accordingly.

The results of the assessment of the Board of Directors and the other committees are in the range of 3 - 4, 4 being the highest. This is a favorable result with the average score of 3.19. The ratio of the results of the assessment of the committees are present in chart : The Board of directors Self Assesment 2013

The results of the assessment of The Compliance and Governance Committee, and The Nominations and Remuneration Committee are in the range of 3-4, 4 being the highest. This is a favorable result with the average score 3.16 and 3.02 respectively.

As for the results of the assessment of The Audit Committee, the majority is of the opinion that the Bank has structure, elements, environment such as a charter, has membership and an adequate number of members to function and that the Audit Committee has done its' duties within the scope of duties as stated in the Charter.

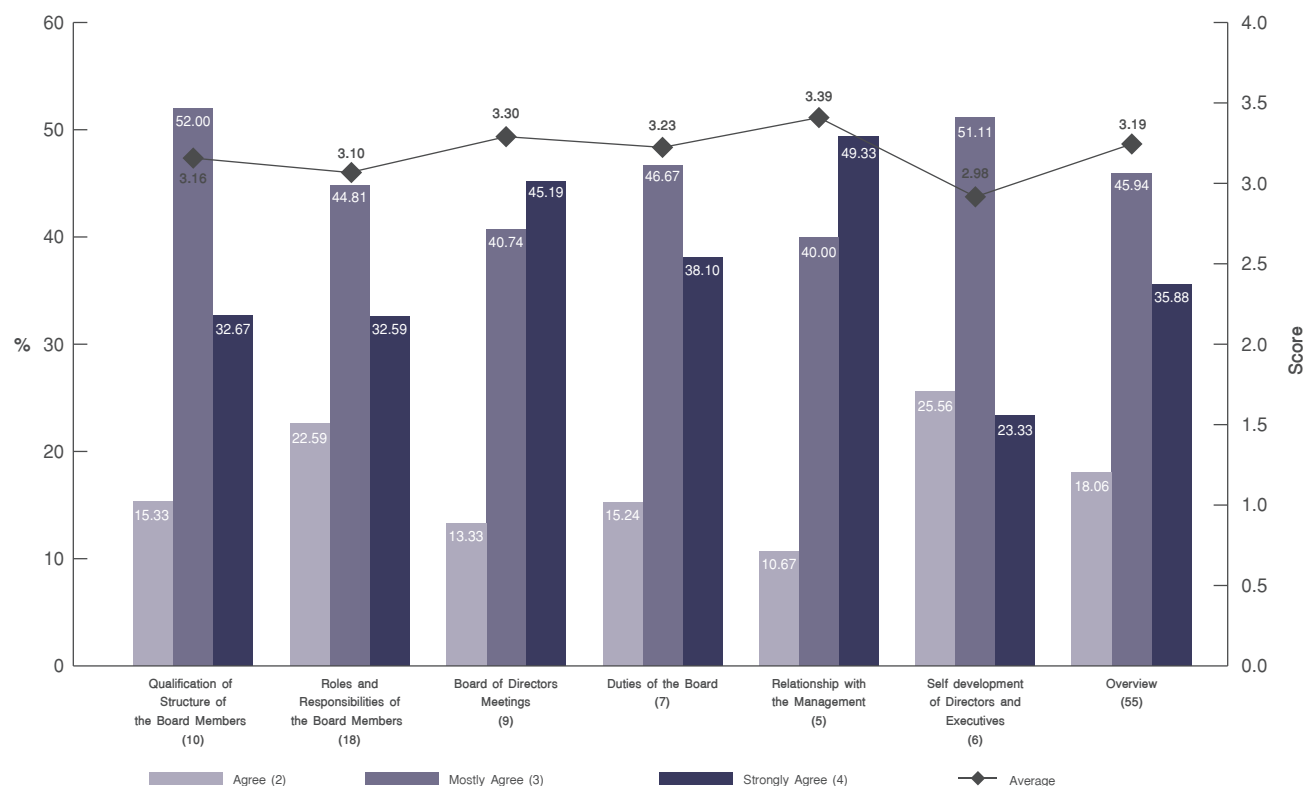
The Board of Directors has been notified of the results of the assessment of the committees and sub-committees and has informed the secretaries of each committee to use the results to improve the quality of the respective committees.

### **Selection of Directors and Executives**

#### **1. Nomination of Directors**

The Nominations and Remunerations Committee issues the policy, the standards and the method in nominating directors and executives of the Bank, from the level of President upwards. This is to be submitted to the Board of Directors, furthermore they have to select and submit the names of persons who are suitable to be directors, directors of sub-committees that have

The Board of Directors Self Assessment 2013



been assigned by and responsible to the Board of Directors, and persons of managerial levels to the Board of Directors.

The Nomination and Remuneration Committee considers and review individuals who have the proper qualities, experience and knowledge, to be of use to the Bank as well as suitable for being a director, an independent director and auditor of the Bank, These are presented at the Board meeting or at the shareholder's meeting for consideration and appointment according to Bank regulations.

The committee shall take into consideration the suggestions of the minor shareholders who have right to nominate individuals qualified as candidates for a director or an independent director of the Bank. Once the individual is nominated to become independent director, such individual shall have qualification as required in the announcements of the Securities and Exchange Commission and the Stock Exchange of Thailand.

The selection process has begun with the qualified individual proposed by shareholders, directors and executives, with all detailed biography attached. Then, Nomination and Remuneration Committee has become responsible for the

consideration of the nominees' qualification and remuneration prior to proposing such person initially to Board of Directors and finally seeking shareholders' approval. However, the Bank has limited the process of nomination by:

- Voting right of a shareholder is based on one share one vote.
- Each shareholder shall use up the total vote as per the above condition to select one or more directors. However, the voter is unable to determine how the vote would be divided up for any particular candidate.
- Candidates with the most votes, in descending order, shall be appointed as directors. In case of equal vote for the final available appointment, the chairman of the meeting shall cast the final vote.

## 2. Rights of minority shareholders to propose agenda items for the general meeting of shareholders and to nominate candidates for directorship

The respect of the rights of minority shareholders to propose agenda items for the general meeting of shareholders and to nominate candidates for directorship in advance of such

meeting is elementary good corporate governance dedicating the Bank's commitment towards equitable treatment of all shareholders and its clear guidelines for selection of agenda proposals which are justly established on the basis of banking relevance and beneficial interests of the organization. The Bank therefore prescribes procedures and criteria for which minority shareholders may propose their agenda items and nominate candidates for the director posts of the Bank's Board of Directors in advance of each annual general shareholders meeting.

The shareholders who are qualified to propose their agenda items and nominate candidates for the Bank's director posts must

1) Hold no less than 200,000 (two hundred thousand) shares of the Bank, which may be a single shareholder or collective thereof,

2) Continue to hold the Bank's shares in the numbers as prescribed in 1) for no less than 1 year and still maintain them as of the date of the proposal of the agenda items for the general meeting of shareholders and the proposal to nominate candidates for directorship, and

3) Present the evidence of the share holdings thereof; namely the confirmation letter from security companies, or other evidence from the Stock Exchange of Thailand or the Thailand Securities Depository Co., Ltd.

### **Supervision of Subsidiary and Associated Companies**

The Bank supervises the subsidiary and associated companies by the Board of Directors determines the strategic direction and goals for an overall of the Group's policy, including the Group's policy and business direction proposed by the Executive Committee, also oversees and controls management through the supervision of the Executive Committee to comply with the policy that has been approved, efficiency and effectiveness. In order to safeguard the interests of shareholders and the Group, and defines and approves policies in accordance with all relevant law or the financial supervision authority.

The Board of Directors sets up the Group's management structure and approves the nomination of appropriate qualified executives proposed by the Nomination and Remuneration Committee for all the position of directors, Chief Executive Officer, President, Executive Vice President or equivalent or

higher, directors of subsidiary, and President of subsidiary within the Group.

The Board of Directors assigned the Audit Committee to be responsible for the sufficient and efficient internal control system of the Bank. The Internal Audit Group monitors an internal audit system, internal audit of the Group, and directly reports to the Audit Committee. The Board of Directors of the companies in the Capital Market Business and/or the Audit Committee of those companies has duty and responsibilities to oversee and control the companies within the Capital Market Business to operate under the appropriateness and effectiveness of the internal audit system through the internal audit function of the companies and reports to the Bank's Audit Committee.

### **Control of Internal Information**

In order to prevent exploitation, the misuse or misappropriation of internal information and/or documents which have not been publicly disclosed, the Bank has instructed that the Board of Directors and administrators, their spouses and children who are minors and any other affiliated persons to report (Form 59-2), any changes in the status of their holdings of the Bank, within 3 working days to the SEC and the SET and also hand in a copy of the form to the company secretary, who will inform the meeting of the Board of directors. Furthermore, in accordance with the company regulations against corruption and professional ethics, directors and employees of the Bank may not use their authority for personal gain or for any other purpose which may adversely affect the Bank. The Internal Audit division will audit internal documents and in the event that wrong doing has been discovered, this will be reported to the Audit Committee and the Board of directors for consideration according to company regulations.

In 2013, the Bank had updated the regulations in connection with the purchase and sales of securities of executives, employees, any individuals concerned with investment of securities or any individuals who may be privy to insider information that could affect the price of securities and regulations for reporting the interests of directors, managers and related individuals. This is to safeguard and protect against any conflict of interest for directors, managers and employees, who may misuse the guarded information or important information that should not be made public and have come as a result of

performing their duties, for their own personal gain and other individuals who may gain illegally for such information so that they could maintain the trust of the customers, co-workers, shareholders, the related government agencies and that the general public places with the Bank. This is all in accordance with the principles of good management practices.

The Bank does not permit any executives or employees related to the matter, to purchase or sell shares of the Bank, 7 days prior to the end of the quarter until the Bank's financial statement has been made available to the public and no less than 1 trade session. This regulation does include the right to purchase shares of the Bank, exercised by the managers and employees as received from the Bank.

In addition, the Bank has also provided information on the practices of communication within the Bank's directors. Executives and employees at all levels throughout the entire organization, and is continued to be aware of the duties and responsibilities as set out in the principal regulation business.

#### **Auditor's Fee**

In 2013, the Bank and subsidiaries engaged Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd., as an external auditor for the Bank and subsidiaries and incurred the fee charge as follow;

- **Audit fee**

The Bank and subsidiaries engaged Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd. for audit and other related services and incurred the expenses including the audit fee totaling Baht 15 million.

- **Non-audit fee**

The Bank and subsidiaries paid non-audit fee for other services including services for special audit under the requirement of the Bank of Thailand, electronic fund transfer audit, consulting service on accounting related issues and other projects etc. to Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd., totaling Baht 10 million. Additionally, there will be another Baht 52 million to be paid in the future for the service agreed but not completed in 2013.

#### **Good governance for these subjects.**

Good governance shows that the management system has quality, is transparent, able to be audited, and is able

to create an atmosphere of trust for everyone concerned, promoting sustained growth of the Bank with quality. The Bank will develop good governance practices, which will also encompass other areas that have not been covered.

- **The composition of the committee should have a minimum of 5 and no more than 12 persons.**

The Board of Directors consists of 15 individuals, appropriate for running a Bank and securities business. The committee is made of knowledgeable and experienced individuals who are qualified to do their duties and have come from various backgrounds, skills, sexes and are experts in their field.

- **The Board of Director will determine the term of the office of the Directors.**

The Bank does not limit the terms of the directorship so that we would not lose the opportunity to appoint directors who are knowledgeable and qualified and experienced in banking and companies associated with the Group, which is an important in good governance.

- **Monthly report of the committees, if there are no monthly meetings**

The Bank does not have monthly committee meetings but has stated that there should be a quarterly report on the workings of the committee, unless there are significant changes that the Bank would need to make.

In 2013, The bank had arranged 9 joint committee meetings in which directors may request additional information from the President, Managing Director, Vice-Presidents, company secretary or any other high-level managers within the restrictions of the policy so as to follow up on the progress of the management.

- **Individual Assessment of Directors.**

Individual assessment of directors may contain discrepancies so the bank does an assessment of the committees. However, The Bank has not as yet appointed an external consultant to assist in giving guidance and point out the main points of the assessment of committees every 3 years. The Board of Directors has deemed it appropriate that an external consultant should be appointed to assist in this matter.

## Corporate Governance

The Bank's Board of Directors continually pays great attention and commits to conduct its business operations according to good corporate governance principles prescribed by relevant bank supervision authorities. This attentiveness and commitment enables the Bank to achieve numerous best governance honors and rewards; such as

- Received "Excellence" from Annual General Meeting (AGM) in 2013, conducted by Thai Investor Association (TIA), the Securities and Exchange Commission Thailand (SEC), Thai Listed Companies Association for the seventh consecutive years
- Received "Excellence" from the annual corporate survey for the year 2013, and received 5 awards from the Institution of Directors (IOD)
- Received "SET Award of Honor" (Corporate Governance Report) to maintain the distinction and excellence for the fourth consecutive years (2010-2013), during award ceremony of "SET Awards 2013" by the Stock Exchange of Thailand (SET) in collaboration with the Money and Banking Magazine
- Received "Outstanding Corporate Social Responsibility Awards" from the SET Awards 2013 organized by the Stock Exchange of Thailand (SET) and Money and Banking Magazine.

In 2013, the Bank has implemented good corporate governance practice to its shareholders, investors, stakeholders and related parties successfully for the entire 5 practices successes by the Stock Exchange of Thailand as follows:

### 1. Good Corporate Governance Policy

The Board of Directors is well aware of the responsibility to all interested parties and strives to operate the business with good governance practices. With that in mind, the Board of Directors has announced a new good corporate governance policy on August 29, 2013. This will give guidelines for operations and elevate the level of good governance to those of international standards. The policy is composed of 5 parts, namely: 1) Rights of the shareholders 2) Treatment of all shareholders in the same manner 3) Role towards interested parties 4) Disclosure of information and transparency 5) The responsibility of the Board of Directors of the Bank.

The Board of Directors and the executives believe that good corporate governance will enable the Bank to have

a management system that is efficient, transparent, can be audited and is just to all concerned. It will also create confidence allowing the Bank to be competitive within the confines of good ethics and responsibility to society. It will create prosperity and be a strong foundation for the long-term growth of the Bank and the use of the guidelines for good corporate governance is a great obligation to the Board of Directors, the executives and all employees of the Bank and would be beneficial to the Bank, the shareholders, customers, interested parties and society.

The details are presented in the Bank website: [www.kiatnakinphatra.com](http://www.kiatnakinphatra.com) as well as widely communicated to the executives and employees to ensure better understanding on the matter.

## 2. Implementation of Good Corporate Governance

The Bank has implemented good corporate governance practices for shareholders, investors, interested and concerned parties as follows:

### 1. Rights of Shareholders

#### 1.1 Advance and Adequate Disclosure of Information to Shareholders

The Bank has stipulated that a General Shareholders Meeting be held once within 4 months after the end date of accounting year. The Extra Ordinary General Shareholders Meeting would be called if there were the urgent proposals which needed the shareholders' approval. In 2013, the General Shareholders Meeting was held on April 26, 2013. There was no Extra Ordinary General Shareholders Meeting during the year. The shareholder meeting was implemented in compliance with the AGM Checklist of the Thai Investors Association, Thai Listed Companies Association and SEC. Prior to the meeting, invitations and relevant meeting materials were sent to the shareholders no lesser than 31 days, via the Bank's website ([www.kiatnakinphatra.com](http://www.kiatnakinphatra.com)) and the Stock Exchange of Thailand's website. The Bank also assigned Thailand Securities Depository Co., Ltd., the registrar of the Bank's shareholders, to send out invitation letters to the shareholders 21 days in advance. In addition, the Bank's invitation letters were announced in the newspaper both Thai and English for three consecutive days. Attached therewith were list of directors along with their profiles, both newly nominated and



re-elected directors by the Board of Directors; list of auditors and remuneration; dividend payment policy with explanation and sum payable; and statement of objectives and rationale for the meeting with the Board of Directors' opinion. Besides this, the Bank has also simultaneously issued open letters of invitation to shareholders meeting in both Thai and English so as to facilitate foreign investors.

From the date of issuance of the letter of invitation to the shareholders meeting and prior to the shareholder's meeting, the Bank provides an opportunity for shareholders to send any queries concerning the agenda of the meeting so that shareholders may receive the full benefit at the meeting and to also protect the rights of the shareholders. Prior to the meeting, the Office of Directors compiled all inquiries sent by shareholders to the Board of Directors via the Bank's website ([www.kiatnakinphatra.com](http://www.kiatnakinphatra.com)) or via Email: [investors\\_relations@kiatnakin.co.th](mailto:investors_relations@kiatnakin.co.th)

The shareholder's meetings are tape recorded in video form, and their minutes of meetings properly made in writing. Prior to each shareholder's meeting, the Bank's Chairman shall notify the meeting about the voting and vote counting procedures for each agenda. Questions raised by the shareholders, the reply made by the Bank's directors, and the voting summary for each meeting agenda which includes the number of those which voted for or against a resolution as well as those which abstained, are properly recorded both in audiovisual form and with written notes. Thus, for each of the meeting agendas, the shareholders have been provided with sufficient information for their decision making.

The Bank arranges for personnel and necessary equipment to check the documents of the shareholders to facilitate the shareholders in attending the meeting and voting their rights. For its shareholders' meetings, the Bank uses the meeting arrangement services provided by the Thailand Securities Depository Co., Ltd., and applies the bar-code system for registration and vote counting summary.

In 2013, the Bank prepared complete minutes of the shareholders' meetings which covered all material contents, and duly submitted it to the relevant government agency within 14 days from the date of the shareholder's meeting, as well as posted such minutes on the Bank's website-[www.kiatnakinphatra.com](http://www.kiatnakinphatra.com).

## **1.2 Facilitate Shareholders to Fully Exercise their Rights to Participate and Vote**

The Bank held the Annual General Shareholders Meeting on the date, time and venue that would facilitate the shareholders. Those who were unable to attend could grant the power of attorney to others to attend and raise questions from the floor as well as cast votes on their behalves. In 2013, the Bank would allow shareholders the rights to propose an agenda and nominate a candidate for directorship at least 3 months prior to the end of each accounting year, which was between October 1 - December 31, 2013. Then the Bank dispatched invitations via the Stock Exchange system and publicized the rules and procedures of the nomination agenda on the Bank's website ([www.kiatnakinphatra.com](http://www.kiatnakinphatra.com)).

## **1.3 Allocate Appropriate Meeting Time and Encourage Shareholders to Express their Opinions**

During each shareholder's meeting, the Bank shall allocate appropriate time and encourage its shareholders to express their opinions and raise questions concerning matters of the Bank to its Board of Directors. The allocated time for questions and answers shall be sufficient enough for shareholders to completely obtain relevant explanations. Every details were written in the minutes of meeting.

## **1.4 Meeting Participation of all Directors**

The Bank has a policy requiring that all Chairmen - the Board of Director, Audit Committee, Nomination and Remuneration Committee; the Chief Executive Officer (CEO); the President; Heads of Departments as well as Senior Executives and auditors to participate in all shareholders meetings to provide additional information and answer questions to shareholders. In 2012, the Chairman of: the Board of Directors, all committee and sub-committees; CEO and President: Heads of Departments and Senior Executives of Finance and auditors were present at the meeting promptly.

The Bank has really concerned the fact that shareholders should have their absolute individual rights according to the laws and regulations. Additionally, the Bank also aims to promote more rights of shareholders by disclosing its performance, its benefits and important activities via the website ([www.kiatnakinphatra.com](http://www.kiatnakinphatra.com)) to allow all shareholders a consistent and equal access of information.

## 2. Equitable Treatment of Shareholders

The Bank realizes that all shareholders be treated fairly and justly in every aspect. In 2013, the Bank treated the shareholders as follows:

### 2.1 Facilitate Minor Shareholders to Suggest Meeting Agenda in Advance

The Bank allowed shareholders the rights to propose additional meeting agenda and nominate a candidate for directorship prior to the dispatch of invitations to meeting by the Bank via the Stock Exchange system to be publicized on the Bank's website ([www.kiatnakinphatra.com](http://www.kiatnakinphatra.com)). In 2013, the Bank opened the period between October 1 - December 30, 2013 for that nomination. However, there was no any agenda or nomination from the minor shareholders during that period. Additionally, shareholders were granted the rights to select directors individually and to consider and approve the conditions and policy on director's remuneration.

### 2.2 Criteria for Advance Notification of Agenda Proposed by Minor Shareholders

(1) For minor shareholders to propose a meeting agenda for the General Shareholders Meeting and nominate a candidate for directorship, the Bank has specified the procedure wherein shareholders submit their nominations to the Board of Directors, 3 months in advance of the shareholders meeting. Criteria for shareholders qualified to do so are as follows

- Holder of at least 200,000 shares (two hundred thousand shares) either on an individual level or a group of shareholders. Such shareholding proportion is lower than the SET's recommended practice of holding not less than 0.5% of the total voting rights of the company.
- Hold the above number of shares for at least 1 year and continue to hold such amount of shares on the date of proposing an agenda or nominating a candidate for directorship.
- Able to show proof of share ownership such as certified letter from the Securities Company or other certification from the Stock Exchange of Thailand or Thailand Securities Depository Co., Ltd.

(2) Qualified shareholders could propose meeting agenda by filling a form to propose topics to the agenda of the 2012 General Shareholder Meeting and submit the form along

with supporting document to the Bank within a specified period. To ensure efficiency, the Bank applies the following conditions when considering the meeting agenda:

- Matters related to normal business operation of the Bank whereas the shareholders have notified cause/s for suspicion of unusual operation.
- Matters within the ability of the Bank to carry out.
- Matters not in violation of laws, announcements or regulations of the banking authorities, regulatory agencies, related organizations or Articles of Associations of the Bank, resolutions of shareholders meetings, Good Corporate Governance and business ethics.
- Matters beneficial to shareholders and the public at large.
- Matters proposed by qualified shareholders whereas the shareholders have fulfilled the criteria set forth by the Bank on the proposed agenda and nomination of a candidate for directorship.
- Matters that are equipped with complete, adequate and accurate information or evidence submitted in a timely manner.
- Matters considered by the Board of Directors to be worthy of being added in the Agenda.
- Matters never been executed by the Bank and the Board of Directors considered to be beneficial for the operation of the Bank.
- Matters that the Bank has never considered or passed resolution on.

The Board of Directors shall consider the appropriateness of agenda matters proposed by shareholders which are in accordance with the above criteria, unless the Board of Directors sees otherwise. The Board of Directors' Consideration is final. In cases where various shareholders proposing similar matters, the Board of Directors may combine them as one additional agenda. Matters approved by the Board of directors shall be added to the Agenda stated in the Letter of Invitation along with comments from the Board of Directors. On the other hand, matters not approved by the Board of Directors, yet prior to the shareholders meeting, via the Bank's website or other communication channel deemed appropriate.

Furthermore, shareholders who are also executives will not be able to propose additional agenda. The meeting will be conducted as per Agenda informed to the shareholders. Meanwhile, the Bank also encourages shareholders who are unable to attend to use the power of attorney which the shareholders could dictate voting direction (Proxy Form B) and nominate independent director. The Bank promotes the use of voting ballot on crucial occasions such as on related transaction and purchase and sell of assets to ensure transparency and accountability.

### 3. Roles of Stakeholders

The Bank, with acknowledgement on the right of all stakeholders, has a policy to manage impacts from business operation in all aspects. It projects to ascertain all related parties that its business has taken into consideration the environmental concern for a sustainable development. In addition, all stakeholders, both internal stakeholders i.e. employees, executives, and subsidiaries as well as any external stakeholders, their rights have to be fairly protected. In cases of transaction between the Bank and related individual or business, there is a clear, fair, transparent and accountable set of procedure. The Bank also presents details of such transactions in the notes to quarterly financial statements as well as in the annual report.

In January 2014, the Board of Directors had approved a policy for conducting business with a responsibility towards society so that Directors, Executives and employees of Kiatnakin Bank PLC will have a guideline for performing their duties responsibly for the society as well as the scope of their responsibility to society. The 10 points are as follows: Good corporate governance, fair business practices, anti-corruption, respectful of human rights, treating employees and labor fairly, responsibility to consumers, participating in development of community and society, management of the environment, innovation and the publication of such innovations for society and reporting on sustainability.

The Bank also notes with gratitude the support from stake holders that render competitiveness for long-term success of the Bank and entails a guideline of treatment for each group of stakeholders as follows:

- **Shareholders**

The Board of Directors deems it their responsibility to ensure that executives and employees work with honesty and integrity; upholding their responsibilities and accountabilities for their work performance to achieve shareholders' trust and acceptance that any action is done with fairness and consideration for both major and minor shareholders.

Furthermore, shareholders have the rights to protect their interest via comments, recommendations and votes on any changes of significance as well as election of directors and remuneration scheme, profit allocation and dividend payment, appointment of auditors and remuneration in the shareholders meeting. The Bank is obliged to disclose information with correctness, completeness and accountability.

- **Customers**

The Bank has always cared for and paid attention to the requirement of the customers with dedication to offer the best financial products and services. The Bank has paid attention to details and been ready to closely listen to all issues to maintain long-term relationship, been trustworthy and been alongside with the customers supporting them according to their competitiveness to succeed. In that regard, the Bank has developed a system and network of branches together with implementation of advanced technologies to increase management efficiency to become more rapid, flexible and responsive to the customers' requirements. The Bank does concern its personnel development aimed to the most understanding of clients' needs and their business. Meanwhile, other financial and investment advisory shall be served to all customers for their highest benefits.

In cases of suggestions on services, complaints or reports on irregularity of operation, the customers could do so via the website ([www.kiatnakin.co.th](http://www.kiatnakin.co.th)) or at KK Contact Center (Phone number 0-2680-3333) at any instances. The Bank has placed utmost importance to the suggestions, complaints and reports on irregularity or suspicious operation which would damage the Bank. Informant of any nature shall be protected under the Bank strict protection mechanism. (Details as reported, for responsibility towards society in connection with the responsibility to consumers)

- **Employees**

The Bank realizes the importance of the employees

who are the most valuable assets. With that notion, there has been a constant human resource development both in terms of management and personnel development so that the employees would be a key development driving force for the Bank to become a leading financial institute able to best serves the customers. The Bank has compensation policy providing proper remuneration management for executives and employees at rates compatible with other leading companies. There is also a clear description of duties as well as continuous development and promotion of potential scheme to enhance their skills and competency in order to advance in their career.

**Welfare Policy :** Regarding the welfare policy, the Bank has provided employee welfare including Provident Fund, Social Security Fund, Group Health Insurance, Group Life Insurance, Group Accident Insurance, Annual Medical Check-Up, Nurse Office within the Bank, Mother Corner (breast milk collection room) as well as Kiatnakin Responsibility Scholarships for employees' children, and other monetary benefits for assisting employees in some occasions, and so forth.

**Health and Safety Policy :** Regarding policy on health and safety, the Bank has set up working environment taking into account safety, health and the environment suitable for employees to work while ensuring convenience of the customers. Furthermore, the Bank has organized fire drills and office security system. The Bank has also announced 'Guidelines for Safety and Unusual Sight' to ensure safety to the buildings and its employees.

The Bank has developed positive corporate culture and working atmosphere as well as equal treatment for employees with respect to their honor, pride and privacy. The Bank also aims to promote and develop the employees via additional trainings to enhance their knowledge and expertise.

The Bank prescribed its physical security policies for its premises and physical security information management for its information and communications technology. Both measures assure safe environments for physical security and information technology security and reassure that its basic infrastructure is kept in good condition and available for prompt use. There are also measures against damage protections, unauthorized disclosure of information; and compliance & best practice guidelines towards respect and protection of intellectual

property rights and copyrights. It is also the Bank's policy to inform its staff and urge them to comply against infringement of intellectual property rights and copyrights.

The Bank also prescribed policies and practice guidelines in the event of work problems or errors or omissions in the work process, as well as acceptance of gifts, services, or benefits from outsiders. All these policies and practice guidelines provide common understandings and clear procedures aimed to protect/rectify any damages or mistakes related to work and operations, while encouraging transparency and positive work environment that epitomizes high ethical standards of professional conducts.

The Bank has prepared communication channels for employees to voice their comments or complaints over working condition, management, and information of suspicious activities among them through the Bank's website at [www.kiatnakin.co.th](http://www.kiatnakin.co.th) or forward information directly to the Internal Audit Unit or Human Resource Development Unit. Furthermore, the Bank has laid down strict mechanism to protect any informant of corruption or suspicious activities that would damage the Bank.

(Details as reported, for responsibility towards society in connection with respect of human rights and fair treatment of employees and labor)

- **Creditors**

The Bank has strictly adhered to the terms and conditions given with the creditors with full gratification for the trust and support rendered to the Bank from all creditors and depositors throughout the economic crisis. (Details as reported, for responsibility towards society in connection with respect of human rights and fair treatment of employees and labor)

- **Business Partners**

Part of the Bank's success comes from the support of its business partners. Thus, the Bank has strictly adhered to the terms and conditions of contracts with the business partners based on the concept of building success side by side. In 2011, the Bank has no dispute with its business partners. (Details as reported, for responsibility towards society in connection with fair business practices)

- **Society, Community, and the Environment**

The Bank strives to conduct business with responsibility to society, community and the environment on this principle and that it is more than just about making profit but that it

is a building block which will be beneficial to society. The most important factor is that in our way of conducting business, we must do it with responsibility to society and avoid any means that will create a negative effect to support the vision of the Bank “Bank for the success of the customer and everlasting benefit to society”.

The Bank was awarded an excellent listed corporate on distinguished CSR performances from the “SET Awards 2013” event organized by the Stock Exchange of Thailand in collaboration with the Money and Banking Magazine, (2012-2013 for two consecutive years. The Bank was among the 16 private organizations piloting ‘volunteer-minded employees for sustainable organization and social development organized by the Center for the Promotion of National Strength on Moral Ethics and Values (Moral Center) with Kenan Institute Asia. To develop the strong and sustainable culture of volunteer-minded in employees’ behavior, the Bank support many activities of public services, which more details are clearly stated in CSR section

The Bank emphasizes efficiency enhancement on work process development to better provide its services and increase consumer satisfaction via its “CSR in Process” which includes programs such as reduction of operating costs by applying the 5 S rules, reduction of audit time in remote areas, reduction of time spent on account closing procedure for car hire purchase business to enhance consumer satisfaction, promotion of skill training in personal financial management for clients, staff, youth, and surrounding communities. The Bank promotes the improvement of national human resources under the “Developing the People and Nation with Kiatnakin” Project which focuses on three core aspects of (1) Education; (2) Moral and social development; and (3) Emergency relief and charity work. It established the Kiatnakin Bank Foundation and registered the foundation as a charity organization in 2012 to support other aspects of social charity work

As for the policy on the environment, the Bank has carried out the standards of “The Bank Energy Saving” and also continued on an energy saving program named Save Energy @ Kiatnakin Bank since year 2005 to ensure that employees have consumed all resources with their maximum utility and efficiency. All the policies would allow employees and their family to concern about how to reserve the energy

and to keep the orderliness of the office. The activities were focused on the environment and cleanliness and green aspects under the name “KK Clean and Green Provincial Branches”; a training of Waste assortment of office and household waste are offered by experts from Pollution Control Division, Ministry of Natural Resources and Environment to volunteering KK Energy Ambassador, maids and security guards who are key persons for energy and resource saving campaign.

As far as the workplace management is concerned, the Bank undertook the changing of 6,213 light bulbs in its head office at K Tower from regular light bulbs to energy saving ones. The action helped in reducing its related energy costs by 3.7%. The Bank also encouraged its nationwide branch network via campaigns launched by its sales and services network, together with its branch operation network, to proactively induce all its branches to commit on maximization of efficient use of energy such as electricity, water and telecommunications.

The Bank implemented control measures for resource utilization by selecting office equipment and utilities that support energy and natural resources savings such as use of water saving appliances for bathroom sanitary wares, electricity saving through automatic time switch control devices, innovation of office furniture by encouraging its trade suppliers to select “Green Label” materials for use or to apply proven production process with low-pollution energy conversion technologies. The Bank also participated in the “KK Clean & Green” project to assure its standards of environmental management and hygiene as well as promotion of its “Green Branches” program.

The Bank encourages its staff to initiate environmental programs such as “One month, one man, one tree: providing beautiful a garden to children of Jarusorn Bamrung School” in Pathumthani Province, “You..... can help; Stop using your car one day per month to ease traffic ” project organized by the Ministry of Communication, the Bangkok Metropolitan Authority, and Jor Sor 100 Radio Broadcast Station, as well as mangrove reforestation projects, and school renovation projects for children etc.

- **Disclosure and Transparency**

The Board of Directors has placed importance on disclosure of information with correctness, completeness,



thoroughness and timeliness covering financial information and general information such as financial statements, Annual Disclosure Form (Form 56-1) and Annual Reports as well as crucial information affecting share prices of the Bank. The aforementioned updated information are disseminated to investors and related parties via communication channels of the Stock Exchange of Thailand and the Bank's website (www.kiatnakinphatra.com). There is also an Investor Relations Centre to provide news, information and activities of the Bank to the investors, shareholders, analysts and general public. Interested individuals could contact the Investor Relations at:

Investor Relations : Phone +66-2841-5925  
 Fax +66-2841-5529  
 Email : investor\_relations@kiatnakin.co.th  
 Address : Kiatnakin Bank Public Company Limited  
 Investor Relations Department  
 209/1 K Tower B, 31st Floor,  
 Sukhumvit 21 (Asoke),  
 Klongtoey-Nua, Wattana,  
 Bangkok 10110

The Bank discloses information through several channels and presses regularly in order to ensure that shareholders and stakeholders are well informed. In 2013, senior executives and investor relations of the Bank met and provided any information to local as well as foreign shareholders and investors both as follows;

Type of Meeting	No. of meetings
1. One-on-One Meeting	43
2. Conference Call	8
3. Analyst Meeting	4
4. Investor Conference	4
5. Road Show (Shareholders and Investors)	9
6. Press Conference	2

The management of the Bank also recognizes the significance of investor relationship, and supports the involvements of its Investor Relations Department in the TIRC activities, which are excellent opportunities for exchange of knowledge, experiences, practice guidelines, and creation of good relations among listed companies.

The Bank has also stipulated that the Board of Directors disclose of their responsibilities to the financial statement alongside the report of the auditor in this Annual Report. The Board of Directors also supervised the disclosure of information, authorities, responsibilities, details of remuneration policy, numbers of meetings, records of attendance of each committee both main and sub-committees, including of remuneration received by the Directors from subsidiaries are also disclosed in the Director's Remuneration Table.

## 5. Board Responsibilities

### • Director organization

The Board of Directors consists of 15 directors of which 3 are executives; 6 non-executives and 6 independent directors. To comply with good corporate governance, the Bank has appointed a non-executive director as a Chairman of the Board of Directors. The Chairman of the Executive Committee and the President are 2 individuals. The practice has led to a clear separation of duties on policy making, regulating and managing. The details are as follows

### • Chairman of the Board of Directors

Responsible for the Board of Directors in their conduct to ensure that strategies, vision and missions have been materialized and achieved as specified by the Board. Regulating to ensure ethics and transparency of business and provide efficient internal control system and appropriate risk management. Protect benefits of the shareholders and uphold image of the Bank to gain creditability from all parties concerned.

### • Chief Executive Officer (CEO)

Supervise the organization to progress in the specified direction, vision and strategic plans. Ensure that operation in all aspects is under proper monitoring system while management is in accordance with good corporate governance via provision of policy, code of practice, regulations and controlling system to ensure transparency, ethics and clarity as well as sufficient internal control system, compliance and risk management pursuance with public laws and regulations to yield maximized benefits to shareholders, achieve creditability and social responsibility.

The management under the supervision of the President of the Bank is responsible for the daily operations

of the Bank and financial subsidiaries of KiatnakinPhatra. The Board of Directors will not interfere in the duties of the management or misuse the policy of the Board of Directors. The relationship of the Board of Directors and the management will be one of co-working together.

• **Independent Director**

The Bank has specified that an independent director with the highest seniority act as chairman should there be any agenda of relevant. The Bank has laid down stricter qualification requirement for an independent director than the minimum requirement of the Securities and Exchange Commission as follows:

(1) Holds shares not exceeding 0.5 percent of total share with voting right of the Bank, parent company, subsidiaries, associated companies, major shareholders or person with controlling power of the Bank. This includes shares held by individual related to that independent director.

(2) Never been or was director participating in management, employee, officer, or advisor receiving regular salary or person with controlling power over the Bank, parent company, subsidiaries, associated companies, subsidiaries of other company of the same level, major shareholders or person with controlling power over the Bank, unless having been dismissed from such position at present and for the last 2 years. Nonetheless, such restriction does not include an independent who has been a civil servant or advisor to a government agency that is a major shareholder or having controlling power over the Bank.

(3) Not having relation either by blood or legal registration as father, mother, spouse, sibling and children, including spouse of children of executives, major shareholders, person with controlling power or individual nominated as executive or person with controlling power over the Bank and subsidiaries.

(4) Never have or had business relation with the Bank, parent company, subsidiaries, associated companies, major shareholders or person with controlling power over the Bank in such manner that may prevent independent discretion of self; nor being substantial shareholder or person with controlling power of person with business relation with the Bank, subsidiaries, associated companies, major shareholders or person with controlling power over the Bank, unless having

been dismissed from such position at present and for the last 2 years.

The business relation as stipulated in Clause 1 above includes normal trading transaction in lease taking or leasing out of real estate; transactions on securities and services or taking or giving of financial assistance by means of borrowing or lending; guaranteeing; collateral providing; or other similar manners which would render the Bank or the party financial obligation to each other at the amount of 3 percent or more on the net tangible assets of the Bank or from 20 Million Baht, depending on whichever is lesser. The calculation of debt obligation is as per the method of calculation of value of connected transaction pursuant to the Notification of the Capital Market Supervising Committee on Regulation in Respect of Entering into a Connected Transaction *mutatis mutandis*. Yet consideration of such obligation shall take into account the obligation occurred in the past 1 year prior to the business relation with such person.

(5) Never been or was auditor of the Bank, parent company, subsidiaries, associated companies, major shareholders or person with controlling power over the Bank; nor being substantial shareholder, person with controlling power or partner of the auditing firm that the auditor of the Bank, parent company, subsidiaries, associated company, major shareholders or person having controlling power over the Bank, belongs to, unless having been dismissed from such position at present and for the last 2 years.

(6) Never been or was provider of any profession service including legal advisor or financial advisor receiving a fee of over 2 Million Baht per annum from the Bank, parent company, subsidiaries, associated company, major shareholders or person having controlling power over the Bank, nor being substantial shareholder with controlling power or partner of person providing such professional service, unless having been dismissed from such position at present and for the last 2 years.

(7) Not a director being selected as representative of the Board of Directors, major shareholder or shareholder with relation to the major shareholders.

(8) Not engaged in any business of similar nature and in substantial competition with the Bank or subsidiaries nor being a substantial partner in any partnership nor director

participating in management, employee or official earning regular salary nor holding more than 1 percent of the total share with voting right of other companies of similar nature and in substantial competition with the Bank or subsidiaries.

(9) Not having any other characteristics that may jeopardize ability of self to provide independent discretion relating to the operation of the Bank. A person appointed as independent director, upon fulfilling the above (1) - (9) criteria, may be assigned by the Board of Directors to make decisions on the operation of the Bank, parent company, subsidiaries, associated company, subsidiaries of the same level, major shareholders or person with controlling power over the Bank, by means of collective decision.

- **Other Committees**

The Board of Directors appointed 5 other committees to further study and screen matters of particular areas, namely: Audit Committee, Nomination and Remuneration Committee, Risk Management Committee, Executives Committee, and Compliance and Governance Committee. The authorities are detailed under the "Organization Structure" part.

- **Roles and Responsibilities**

Details are stated in the "Management Structure" part.

- **Vision and mission of the Bank**

The Board of Directors of the bank, in conjunction with the management will review and approve the vision and mission periodically so as to make adjustments that will reflect the business strategy of the Bank for the future. As of December 2013, the Board of directors of the bank has reviewed and approved the vision, mission and objective of the organization to reflect the strategy of the Bank.

- **Business Ethics**

The financial group of KiatnakinPhatra places importance on having good reputation and maintaining the good name amongst the customers, co-workers, shareholders, related agencies, and the general public is the duty that must be performed by directors, executives, staff and employees of the financial group. Everyone must uphold the law, regulations and the different policies that are prevalent or used in our business and act according to standards and conduct business with sound ethics. Keeping in mind that the service we provide, must be of high standards and morals because

conducting our business is based on trust and credit of our customers and general public.

In 2013, The Board of Directors had approved "The Guidelines for Business Conduct" for directors, staff and employees for the financial group of KiatnakinPhatra so that everyone will have a framework for conducting business with standards and firmly upholding the ethics. The Policy on business ethics as approved by the Board of Directors, for the financial group of KiatnakinPhatra have the following main points: 1) Conflict of interests 2) Seeking to benefit from the Bank 3) Duty in maintaining secrecy 4) Acting fairly 5) Respect of others 6) Keeping information and assets of the Bank 7) Acting within the law 8) written and electronic communication of the Bank 9) Duty to promote ethical conduct by disclosing information on the website of the Bank ([www.kiatnakinphatra.com](http://www.kiatnakinphatra.com)) and also on the Bank's intranet (KK world) so that employees and management may avail of the information and act accordingly.

- **Conflict of Interest**

The Board of Directors has always proceeded with caution on matters of conflict of interest. Policy and approval process for related transactions have been written down stipulating that concerned directors shall refrain from casting a vote on any transaction with potential conflict of interest. The Bank has also complied with the regulations of the Stock Exchange of Thailand offering prices and conditions similar to external individuals. The details of transaction values and contract parties have already been disclosed in the Annual Report and Form 56-1.

Moreover, the Board of Directors has made it a policy that directors and executives have to report to their business stakeholders and related personnel and submit the report to the Company Secretary with copies to the Chairman of the Board and Chairman of the Audit Committee within 7 days of receiving such report. They are also required to report any changes to the Board of Directors meeting.

In 2013, the Board of Directors had approved the regulation to publicize any connected transactions items and to report the strategic shareholders in accordance with regulations of the SEC and the SET for revealing any connected transactions and strategic shareholders. The Bank has therefore instructed directors and executives of their duty

to reveal this information in a form that the Bank has made, to show transparency, avoid conflicts of interest and to make it beneficial to the Bank and to shareholders.

- **Internal Control and Internal Audit Systems**

The Bank places importance on efficient internal control and internal audit systems at both executives and operational levels. Authorities and responsibilities of employees and executives have been clearly described in writing. Controlling measures are in place to govern utilization of assets whereas duties of operator, supervisor and grantor are clearly separated to ensure appropriate check and balance. Financial statements of the Bank disclosed to the public are made in accordance with accounting principles and standards imposed upon financial institutes and under the scrutinization of external auditor. The Auditing Committee met with the external auditor 4 times last year to acquire audit results, recommendations and comments for further monitoring and improvement. The internal control system has been verified and the report submitted to the respective executives.

The Bank has an Internal Audit body to ascertain that the main operations and crucial financial activities of the Bank adhered efficiently to the specified principles as well as to verify their compliances with laws and regulations related to the Bank. In an effort to ensure independency of the Internal Audit Unit to fully carry out their check and balance responsibility, the Board of Directors has stipulated that the unit report directly to the Audit Committee and the Board of Directors.

Additionally, the Board of Directors has assessed adequacy of the internal control system annually so that each director could revise the accuracy and conciseness of the Bank's internal control system according to the specified principles. The Internal Audit Unit is assigned to compile, summarize and present such revision in the annual report and disclose to the public.

The Board of Directors always realizes that internal controls are an important process for a successful and efficient operation of banking business. In 2011, the Board appointed additional sub-committees namely the Compliance Committee which is assigned to oversee legal and regulatory compliances of the Bank and its financial affiliates. The overseeing also includes compliances of laws, rules, regulations, standard practices; ethical and customary conducts in financial

profession, corporate governance principles, and prescribed compliance policy. The Bank's compliance activities are monitored by the Compliance Department which sets forth efficient compliance and corporate governance systems. In order for the Compliance Department to be adequately autonomous in carrying on its governance and supervision duties, and to assure that the Bank has a risk management system that is effective and in keeping with international standards, the Board commends that the Compliance Department directly reports its works to the Compliance Committee and the Board of Directors.

- **Risk Management Policy**

The Board of Directors closely regulates risk management via the Risk Management Committee. The Bank has an organizational-wide risk management policy for the Bank and its subsidiaries as well as continuous revision of system or assessment of risk management efficiency. Furthermore, the Board of Directors also places importance on advance warning and irregularities. The policy is carried out by the Risk Management unit under the Risk Management Committee who reports regularly to the Board of Directors.

- **Board of Directors Meetings**

Each year the Bank schedules regular meeting dates with the Board of Directors and regular meeting agendas for the Board of Directors in advance, and prior to the end of each year it informs the board members of those meeting dates and meeting agendas for the coming year. Additional board meetings may be held, if necessary. The Banks' Corporate Secretary is responsible for the meeting arrangement and for the sending of letters of meeting invitations together with the meeting agenda and information attachment to each board member at least 7 days prior to the date of such meeting, except for in urgent cases, in order that the directors shall have adequate time to review relevant information prior to the meeting. Each director can make inquiries for additional information from the Corporate Secretary, and is free to submit any meeting agenda. Each meeting agenda is well-defined whether it is for information, for approval, or for consideration, and regular follow-up on operating results.

The Chairman of the Board also allocates ample meeting time for the management to report and for the directors to discuss the matters in depth. Minutes of Meeting is made in

writing and endorsed by the Board of Directors and made available for examination by the Board and relevant parties. In 2013, the Board of Directors met 9 times wherein the Chairman of the Board encouraged the President to invite senior executives to the meetings to present additional information and get acquainted with the Directors.

The Bank also granted opportunities for the Directors to request additional and necessary information from the President, Company Secretary or other senior executives within the specified policy framework including an opportunity for non-executive directors to hold their internal meeting to discuss management matters of interest.

In 2013, the Board of Directors allowed non-executive directors to arrange a meeting among themselves by 1 time.

- **Development of Directors and Executives**

The Board of Directors has identified and participated in the derivation of vision, missions, strategies, goals, business plans and budget of the Bank as well as regulated to ensure that the executives have operated according to the specific business goals and budget efficiently and effectively. The Bank has repeatedly held meetings to convey business plans to the executives and employees to create mutual understanding among them. There is also a monthly report on actual performance against the target of the employees together with sound internal control, business regulation and risk management systems.

All Directors have passed training courses from the Thai Institute of Directors (IOD). The Bank has explained the scope of authorities as well as fundamental details of the Bank to better the directors' understanding.

In 2013, there were four directors attended the director training courses organized by the Institution of Directors (IOD) who are Mr. Supol Wattanavekin, Mr. Chet Pattrakornkul, Dr. Anumongkol Sirivedhin, and Mr. Pravitt Varutbangkul Mr. Banyong Pongpanich, and Ms. Thitinan Wattanavekin (the Bank listed the details of its director training in the "Director Profiles" Section)

- **Directorship with Other Companies of Directors and Executives**

As a commercial bank under the supervision of the Bank of Thailand, the Bank has clear directives on directors holding directorship or senior executives positions with other

companies as per the Announcement Sor Nor Sor. 60/2551 dated August 3, 2008, which stipulated that directors or senior executives of the Bank could be either chairman or managing director or authorized director or all of the aforementioned in other companies, yet not exceeding 3 business groups. Consideration of business group is based on the controlling power over the business. The Bank has disclosed the information on directorship of each director as well as the Executives Committee in this Annual Report under the section "Directorship of Directors and Executives in Subsidiaries, Associated and Related Companies".

In the event that an individual who is director and an executive of the Bank can be appointed to directorship, as a staff or employee of any other business, they must obtain prior from the Bank. In the case that an individual, who is director and an executive of the Bank, seeks appointment to directorship at any registered company in the SET, they must receive prior approval from the Board of Directors, so as to avoid any conflict of interest that may arise

- **For executives who may be a director in another company.**

The president, managing director and group presidents or equivalent positions may hold either one or many of these positions such as President, executive director or signatory director but no more than 3 business groups. In the event that the companies are not in the same group, each position will be counted as one business group.

Prior to taking up any positions as president, executive director or signatory director of a company registered in the SET, the president, managing director and group presidents or equivalent positions of the Bank, must receive written approval from the regulatory body of the Bank, so as to avoid any conflict of interest that may arise

- **Orientation of New Director**

Upon changes in director, the Office of the Director is responsible to prepare a set of following document for a new director - annual report entailing vision, mission, core values and performance of the past year; articles and memorandum of association; director handbook and relevant announcement.

- **Terms of Directorship**

(1) The Bank stipulated in Clause 18 of the Bank that



in each annual general shareholders meeting, at least 1 of 3 of the directors shall retire. Should the total number of directors cannot be divided exactly by 3, the number of directors closest to the 1/3 ratio shall apply. In short, an average term of director is 3 years.

(2) The term of directorship for committees, including of Audit Committee, Nomination and Remuneration Committee, and Compliance and Governance Committee, is limited to be equivalent to the term of directorship of director's. However, executives who are a member of Compliance and Governance Committee may have the term of 3 years in the position.

There were three directors of the Bank's subcommittee whose term expired in 2013, they were:

(1) Mr.Chet Pattrakornkul - Chairman of the Compliance and Governance Committee, a member of the Audit Committee, and a member of the Nomination and Compensation Committee

(2) Mr.Pravit Varutbangkul - a member of the Nomination and Compensation Committee and the Audit Committee

These two directors were accordingly reappointed for another term.

#### • Succession Plan

The Bank's Board of Directors assigns the duties to the Selection and Remuneration Committee to be responsible for overseeing that the management has adequately prescribed a relevant policy for the required succession plan. The plan which needs to be submitted to the Bank's Board of Directors, shall involve the preparation for selection of corporate successors in levels from Assistant Managing Directors up to the Chief Executive Officer and President. The actions aim to assure the continuity of the Bank's business operation and the practices which are in line with policy and standard applied among other major financial institutions.

In 2016, the Bank's Board of Directors and the Selection and Remuneration Committee reviewed and considered the 2013 management succession plan for the replacements of the Chief Executive Officer and President and top executives, and prescribed relevant procedures and means for a required succession plan and successor development. (Details as described in the "succession plan")

These actions aim to assure that the Bank has a suitable selection system, and sufficient means to safeguard qualified personnel, as well as adequate methods to develop and prepare capable executives for their future important duties and tasks. It also prescribes regular follow-up reviews and progress updates on the plan.

## Report of the Audit Committee

The Audit Committee of Kiatnakin Bank Public Company Limited composes of Mr.Pichai Dachanapirom, the Chairman of the Committee, and three other committee members who are Mr.Chet Pattrakornkul, Mr.Pravit Varutbangkul and Dr. Anumongkol. In 2013, the Audit Committee held eight meetings to perform its duties as prescribed by the Audit Committee Charter. Summary of the Committee's actions are as follows:

- The Committee quarterly reviewed the Bank's financial reports by meeting with executives of the Finance and Budgeting Group and the Bank's external auditors to consider audit comments or review financial statements, as well as attending meeting with external auditors, arranged without the presence of any involved bank executives.
- The Committee, together with the internal auditors, reviewed the internal control system and the safety and security of the Bank's information system to assess the effectiveness and adequacy of its internal controls and information technology security. The Committee reviewed the assessment reports of the Bank's internal control system and oversaw that the Bank has a proper assessment process to review relevant risks relating to data safety, and has suitable control measures put in place. The Committee also considered the outcome of the management audit with the Bank's internal auditors.
- The Committee considered and approved the Master Audit Plan and the internal audit work plan for 2014.
- The Committee reviewed risk management in relation to the internal control systems, aiming to manage the Bank's overall risks, by reviewing risk management through reports of the Risk Management Group and the Office of Internal Audit. The framework includes objective setting, risk identification, risk assessment, risk management, and quarterly progress monitoring. The Bank also determines key risk indicators to be applied in its early warning system, prepares relevant action plans for critical events, set risk tolerance and acceptable risk level, reviews and update risk profiles to comply with the Bank's prescribed risk policies and to be in conformity with the 5 risk management guidance prescribed by the Bank of Thailand which includes strategic risk, credit risk,

market risk, liquidity risk, and operational risk. The Committee was of the view that the Bank maintains appropriate and efficient risk management.

- The Committee reviewed and considered related party transactions and intercompany transactions, abiding by the principle of transparency and adequate disclosure of information which is duly complied with the Bank's good governance.
- The Committee reviewed the Bank's compliance system and its compliance with the regulations of the Stock Exchange of Thailand, the anti-money laundering laws, and consumer protection laws. The Committee met with the Bank's internal auditors to enforce proper compliance actions among responsible business units.
- The Committee reviewed the past year performances and independency of the Bank's external auditors in undertaking their duties. It also reviewed and nominated candidates for this year external auditors and the proposed audit fee for 2014 to the Board of Directors for consideration.

The Audit Committee performed its duties and roles in reviewing and considering the Bank's core activities, by working with executives who are responsible for such activities, internal auditors, and external auditors. The Committee is of the opinion that the Bank's financial statements preparation process has sufficient controls and the preparation of the Bank's financial statements is in conformity with generally accepted Thai Financial Reporting Standards. The financial preparation is reliable and risk management and auditing process are also applied into the reviews.

The Audit Committee nominated Mr. Chavala Tienpasertkij, CPA No.4301, or Mr. Permsak Wongpatcharapakorn, CPA No. 3427, or Mr. Niti Jungnitrirundr, CPA No. 3809 of Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd. to be the Bank's external auditors for 2014 and submitted to the Board of Directors its approval on the audit fee for 2014, to be further submitted to the shareholders' meeting for the approval of the external auditor appointment, and the audit fee.

24 February 2013

On Behalf of the Audit Committee



**(Mr.Pichai Dachanapirom)**

The Chairman of the Audit Committee

## Report of the Nomination and Remuneration Committee

The resolution passed with a unanimous vote, at the Meeting of the Bank's Board of Directors No. 4/2006, duly convened on 26 October 2006, to appoint the three following directors as the Chairman and the members of the Nomination and Remuneration Committee:

- |                           |                                   |
|---------------------------|-----------------------------------|
| (1) Mr. Manop Pongsadadt  | Chairman (Independent Director)   |
| (2) Mr. Chet Pattrakornku | Director (Independent Director)   |
| (3) Mr. Suraphol Kulsiri  | Director (Non-executive Director) |

The resolution passed with a unanimous vote, at the Meeting of the Bank's Board of Directors No. 8/2012, duly convened on 12 September 2012, to restructure the components of the Nomination and Remuneration Committee, thus having the five following directors appointed as the committee members:

- |                            |                                   |
|----------------------------|-----------------------------------|
| (1) Mr. Manop Pongsadadt   | Chairman (Independent Director)   |
| (2) Mr. Chet Pattrakornkul | Director (Independent Director)   |
| (3) Mr. Pongtep Polanuni   | Director (Independent Director)   |
| (4) Mr. Suvit Mapaisansin  | Director (Independent Director)   |
| (5) Mr. Suraphol Kulsiri   | Director (Non-executive Director) |

The resolution passed with a unanimous vote, at the Meeting of the Bank's Board of Directors No. 6/2013, duly convened on 25 July 2013, to restructure the components of the Nomination and Remuneration Committee to comply with the Bank of Thailand's regulations on corporate governance in financial institutions which prescribe that membership of the committee shall comprise members of the board appointed non-executive directors, thus having the following directors appointed as members of the new committee:

### Former

- |                            |                                   |
|----------------------------|-----------------------------------|
| (1) Mr. Manop Pongsadadt   | Chairman (Independent Director)   |
| (2) Mr. Chet Pattrakornkul | Director (Independent Director)   |
| (3) Mr. Pongtep Polanuni   | Director (Independent Director)   |
| (4) Mr. Suvit Mapaisansin  | Director (Independent Director)   |
| (5) Mr. Suraphol Kulsiri   | Director (Non-executive Director) |

### New

- |                               |                                 |
|-------------------------------|---------------------------------|
| (1) Mr. Manop Pongsadadt      | Chairman (Independent Director) |
| (2) Mr. Chet Pattrakornkul    | Director (Independent Director) |
| (3) Mr. Pravut Varutbangkul   | Director (Independent Director) |
| (4) Dr. Anumongkol Sirivedhin | Director (Independent Director) |

In 2013, the Nomination and Remuneration Committee held seven meetings. The committee members performed their duties in strict compliance with their assigned scope of responsibilities. During the year, the Committee selected and nominated qualified candidates for various director positions, and oversaw that the Bank's Board had the appropriate size and suitable composition to meet its business requirements; particularly with regards to the board members' qualifications, proficiency, knowledge, and experience. The Committee set remuneration and other incentive structures, as well as guidelines for performance assessments, of board members and senior executives from the level of the Deputy General Manager and above. The Committee also established assessment guidelines for annual adjustments of executive remuneration for board members and senior executives from the level of the Deputy General Manager and above, to be within the context of performance, responsibilities, risk factors, and long-term shareholder value enhancement. The Committee also oversaw the executive compensation plan and succession plan.

The Nomination and Remuneration Committee provided disclosure of relevant information on remuneration and compensation in various forms including the compensation report and the Committee's opinions presented in this 2013 Annual Report.



**Mr. Manop Pongsadadt**

Chairman of the Nomination and Remuneration Committee



# Report of the Compliance and Governance Committee

The Compliance and Governance Committee comprises the four directors; Mr.Chet Pattrakornkul, an independent director and the Chairman of the Committee, Mr.Pravit Varutbangkul (an independent director), Mr.Tarnin Chirasooton, a non-executive director and Mrs. Patraporn Milindasuta Chief Governance Officer as members of the Committee. The Committee oversees the governance and compliance of the Bank and its financial affiliates to ensure their compliance with laws, regulations, rules, and the principles of good governance. In 2013, the Committee held 7 meetings and undertook the following important actions:

- Updated the Bank's core governance policy which was submitted to the Bank's Board of Directors for further approval.

The considered issues:

- **Business ethics of the Kiatnakin Phatra Financial Group** which prescribed the ethical principles to be abided by the Bank and the companies in its group. These ethical principles adhere to relevant laws, regulations, and principles of good governance.

- **Governance principles of the Bank** of which the content was updated to be in line with the additional adjustments in the Corporate Governance of Listed Companies, and to promote the Bank's governance to the global corporate governance standards.

- **Corporate social responsibility principles** which aims to provide clear policy guidelines and the Bank's present commitments on corporate social responsibility, conforming to the Bank's prescribed business ethics and governance principles.

- Approved the action plans of the Compliance Division for the year 2013.
- Considered and expressed opinions on the compliance reports for the year 2012 prior to its submission to relevant governing authorities.

- Acknowledged the compliance reports of the Bank and the Kiatnakin Phatra Financial Group proposed by the Compliance Division of the Bank and the Kiatnakin Phatra Financial Group. The Committee also expressed its views and made suggestions on the improvement of the Bank's and the Kiatnakin Phatra Financial Group's compliance status to duly be in line with the prescribed regulations of governing authorities.

- Acknowledged the internal rules and regulations, as well as the prescribed regulations of governing authorities that materially affected the Bank's business operations, including the newly enacted rules and regulations, as well as the adjustments thereof. The Committee also advised, recommended, and provided guidelines for the monitoring and supervision of the Bank's and the Kiatnakin Phatra Financial Group's compliance activities by the Compliance Division, to conform with applicable laws and regulations.

In 2013, the Bank was bestowed with the following corporate governance awards :

- The award of the "Excellent" position with a full score of "100" from the quality assessment of its 2013 Annual General Shareholder Meeting, presented by the Thai Investors Association and the Office of the Securities and Exchange Commission, for seven consecutive years ( 2007-2013).

- The SET Award on the Corporate Social Responsibility Report for seven consecutive years ( 2007-2013), and

- The SET Award on "Outstanding Corporate Social Responsibility among Thai listed companies with market capitalization of more than Baht 10,000 million for two consecutive years (2012 - 2013), presented by the Stock Exchange of Thailand and the Money & Banking Magazine.

The Bank believes in the ethical business conducts and the merit of good corporate governance in creating value, and enhancing confidence on the part of the shareholders, stakeholders and all concerned parties; as well as in promoting the Bank's sustainable growth. The Bank is fully committed to pursuing its best practices under good corporate governance principles.

**Mr.Chet Pattrakornkul**

The Chairman of the Committee

# Securities and Shareholders

## Securities Information Common Shares and Preferred Shares

1) The Bank is a listed company on the Stock Exchange of Thailand (SET) under the stock symbol "KKP". As of December 31, 2013, the total paid-up share capital is 838,833,109 ordinary shares (of Baht 10 each), and

- Total authorized share capital 8,523,372,680 Baht
- Total issued and fully paid-up share capital 8,388,331,090 Baht

Reference is made to the Bank's ESOP Warrant No.2 (ESOP-W2) issued and offered to Directors and/or employees of the Bank and/or its subsidiaries in 2010, there were total 4 exercise dates in 2013 which were on 30th of March, June, September, and December respectively (in the event that the exercise is on the Bank's holiday, it will be postponed to the next following business day) resulting to the exercise of warrants to purchase totaling 5,309,200 ordinary shares (154,350 shares started trading on January 10, 2014). Consequently, the number of ordinary shares increased to 838,987,459 shares, equivalent to total paid-up capitals of Baht 8,389,874,590 (as of January 7, 2014).

2) As of December 31, 2013, none of preferred share was issued from the Bank.

## Shareholders

### 1) Major Shareholders

The top ten major shareholders of the Bank based on the shareholders register book closing date on September 13, 2013 to determine the list of shareholders entitled to receive dividend.

No.	Name	Number of Share (Shares)	Percentage (%)
1	CREDIT SUISSE AG, HONG KONG BRANCH <sup>1</sup>	71,618,397	8.57
2	NORTRUST NOMINEES LIMITED-NTGS	37,429,463	4.48
3	Ms Thitinan Wattanavekin	35,157,761	4.21
4	Eastern Sugar and Cane Co., Ltd. <sup>1/2</sup>	34,750,804	4.16
5	CHASE NOMINEES LIMITED 42	31,381,500	3.75
6	Thai NVDR Co., Ltd.	30,842,685	3.69
7	CHASE NOMINEES LIMITED 30	22,466,422	2.69
8	Chotthanawat Company Limited	20,693,600	2.48
9	Mrs Vansamorn Wannamethee	19,996,003	2.39
10	RAMKHAMHAENG HOSPITAL PUBLIC COMPANY LIMITED	17,467,143	2.09
Total Top 10 major shareholders		321,803,778	38.50
Others		514,024,881	61.50
<b>Total issued share capital</b>		<b>835,828,659</b>	<b>100.00</b>

By nationality	Number of Share (Shares)	Percentage (%)
Thai shareholders	555,551,199	66.47
Foreign shareholders	280,277,460	33.53

Notes :

<sup>1</sup> CREDIT SUISSE AG, HONG KONG BRANCH was holding the Bank shares for RPIC Pte Ltd's

<sup>1/2</sup> Eastern Sugar Company Limited has Khunyng Nattika Wattanavekin and Mr.Sukkarn Wattanavekin who were primary shareholders of holding 12.5 and 25.6 percent of the total company shares respectively, held the common shares of the Bank by 0.3 and 1.9 percent respectively

- 2) Agreement between major shareholders affects the issuance and offering of securities as well as obligation to issues new shares in the future. -No-

## Other types of securities

### 1) Debentures

As of December 31, 2013, the debentures' outstanding of both long-term and short-term totals Baht 34,211.46 million, details are as follows:

- **Short-term Debentures (maximum of 270 Days): Unsecured and unsubordinated valued Baht 15,051.46 million**

Symbol	Amount (Million Baht)	Issue Date	Tenor (Months)	Maturity Date	Outstanding (Million Baht)	Coupon (p.a.)
KK14102A	100.00	26-Jun-13	6	2-Jan-14	100.00	2.90%
KK14114A	205.00	28-Jun-13	6	14-Jan-14	205.00	2.90%
KK14331A	900.00	4-Jul-13	9	31-Mar-14	900.00	3.00%
KK14114B	823.06	4-Jul-13	6	14-Jan-14	823.06	2.90%
KK14106A	50.00	4-Jul-13	6	6-Jan-14	50.00	2.93%
KK14109A	185.00	5-Jul-13	6	9-Jan-14	185.00	2.90%
KK14108A	465.00	4-Jul-13	6	8-Jan-14	465.00	2.90%
KK14404A	38.00	10-Jul-13	9	4-Apr-14	38.00	3.00%
KK14114C	112.40	11-Jul-13	6	14-Jan-14	112.40	2.90%
KK14113A	120.00	12-Jul-13	6	13-Jan-14	120.00	2.90%
KK14411A	1000.00	17-Jul-13	9	11-Apr-14	1000.00	3.02%
KK14116A	35.00	17-Jul-13	6	16-Jan-14	35.00	2.85%
KK14410A	417.00	17-Jul-13	9	10-Apr-14	417.00	2.95%
KK14121A	100.00	19-Jul-13	6	21-Jan-14	100.00	2.85%
KK14116B	69.00	25-Jul-13	6	16-Jan-14	69.00	2.85%
KK14130A	515.00	26-Jul-13	6	30-Jan-14	515.00	2.85%
KK14422A	355.00	26-Jul-13	9	22-Apr-14	355.00	2.95%
KK14123A	180.00	26-Jul-13	6	23-Jan-14	180.00	2.85%
KK14205A	620.00	31-Jul-13	6	5-Feb-14	620.00	2.80%
KK14130B	38.00	31-Jul-13	6	30-Jan-14	38.00	2.80%
KK14210A	280.00	2-Aug-13	6	10-Feb-14	280.00	2.80%
KK14212A	910.00	7-Aug-13	6	12-Feb-14	910.00	2.80%
KK14213A	450.00	9-Aug-13	6	13-Feb-14	450.00	2.80%
KK14213B	70.00	15-Aug-13	6	13-Feb-14	70.00	2.70%
KK14225A	145.00	21-Aug-13	6	25-Feb-14	145.00	2.70%
KK14227A	51.00	28-Aug-13	6	27-Feb-14	51.00	2.70%
KK14305A	500.00	28-Aug-13	6	5-Mar-14	500.00	2.70%
KK14224A	130.00	30-Aug-13	6	24-Feb-14	130.00	2.70%
KK14306A	137.00	4-Sep-13	6	6-Mar-14	137.00	2.70%
KK14313A	124.00	11-Sep-13	6	13-Mar-14	124.00	2.70%
KK14324A	1100.00	18-Sep-13	6	24-Mar-14	1100.00	3.10%
KK14320A	80.00	18-Sep-13	6	20-Mar-14	80.00	2.95%

Symbol	Amount (Million Baht)	Issue Date	Tenor (Months)	Maturity Date	Outstanding (Million Baht)	Coupon (p.a.)
KK14327A	220.00	20-Sep-13	6	27-Mar-14	220.00	2.95%
KK14320B	43.30	20-Sep-13	6	20-Mar-14	43.30	2.90%
KK14320C	379.70	20-Sep-13	6	20-Mar-14	379.70	2.90%
KK14507A	130.00	16-Oct-13	6.5	7-May-14	130.00	3.15%
KK14718A	211.00	21-Oct-13	9	18-Jul-14	211.00	3.35%
KK14717A	625.00	24-Oct-13	9	17-Jul-14	625.00	3.35%
KK14717B	90.00	21-Oct-13	9	17-Jul-14	90.00	3.19%
KK14718B	203.00	22-Oct-13	9	18-Jul-14	203.00	3.35%
KK14507B	140.00	24-Oct-13	6	7-May-14	140.00	3.15%
KK14722A	300.00	25-Oct-13	9	22-Jul-14	300.00	3.30%
KK14508A	430.00	28-Oct-13	6	8-May-14	430.00	3.10%
KK14508B	1000.00	30-Oct-13	6	8-May-14	1000.00	3.26%
KK14515A	510.00	5-Nov-13	6	15-May-14	510.00	3.165%
KK14508C	100.00	6-Nov-13	6	8-May-14	100.00	3.10%
KK14325A	185.00	24-Dec-13	3	25-Mar-14	185.00	3.10%
KK14625A	180.00	24-Dec-13	6	25-Jun-14	180.00	3.13%
<b>Total</b>	<b>15,051.46</b>				<b>15,051.46</b>	

• Long-term Debentures: Unsecured and unsubordinated valued Baht 19,160 million

Symbol	Amount (Million Baht)	Issue Date	Tenor (Years)	Maturity Date	Outstanding (Million Baht)	Coupon (% p.a.)
KK186A	650.00	1-Jun-11	7	1-Jun-18	650.00	4.62%
KK187A	240.00	22-Jul-11	7	22-Jul-18	240.00	5%
KK188A	500.00	23-Aug-11	7	23-Aug-18	500.00	4.8%
KK18DA	625.00	2-Dec-11	7	2-Dec-18	625.00	5.1%
KK16DA	975.00	7-Dec-11	5	7-Dec-16	975.00	5.1%
KK18DB	10.00	7-Dec-11	7	7-Dec-18	10.00	5.05%
KK142A	2,905.00	24-Feb-12	2	24-Feb-14	2,905.00	3.95%
KK143A	610.00	16-Mar-12	2	16-Mar-14	610.00	4.03%
KK144A	2,485.00	19-Apr-12	2	19-Apr-14	2,485.00	4.17%
KK14OA	2,000.00	18-Oct-12	2	18-Oct-14	2,000.00	4%
KK165A	3,500.00	28-May-13	3	28-May-16	3,500.00	3.58%
KK168A	1,500.00	15-Aug-13	3	15-Aug-16	1,500.00	3.86%
KK174A	500.00	28-Aug-13	3	5-Apr-17	500.00	4.05%
KK179A	330.00	12-Sep-13	4	20-Sep-17	330.00	4.45%
KK149A	380.00	12-Sep-13	1	17-Sep-14	380.00	3.18%
KK14OB	250.00	24-Sep-13	1	7-Oct-14	250.00	3.15%
KK154A	1,700.00	3-Oct-13	1.5	3-Apr-15	1,700.00	3.48%
<b>Total</b>	<b>19,160.00</b>				<b>19,160.00</b>	

## 2) Warrants

In 2013, the Bank has only ESOP Warrant No.2 (ESOP-W2) remaining for a future exercise. According to the Annual General Meeting of Shareholders for 2010 on April 22, 2012 approval regarding the issuance of the warrants (ESOP-W2) to purchase new ordinary shares offered to Directors and/or employees of the Bank and/or its subsidiaries, the number of warrant issuance was not more than 26,000,000 units, offering price of Baht 0 per unit, together with the issuance of 26,000,000 ordinary shares to reserve for the exercise of ESOP-W2.

The exercise date was set on every 30th in the month of March, June, September, and December; the first exercise date was on September 30, 2011 and the final exercise will be on June 30, 2015. The swap ratio becomes 1 ESOP-W2: 1 KKP ordinary share with the exercise price at 29.27 Baht each.

On August 31, 2010, the Bank submitted the ESOP-W2 allotment report to the Stock Exchange of Thailand that there was a cancellation of total 110,000 units of ESOP warrants resulting to total 25,890,000 units of ESOP warrants were allotted. The details of exercise of ESOP-W2 in 2013 totaling 4 times are as follows;

Detail	Exercise of ESOP-W2			
	7th Exercise	8th Exercise	9th Exercise	10th Exercise
Exercise date	April 1, 2013	July 2, 2013	September 30, 2013	January 2, 2014
Exercising holder (Persons)	81	24	169	20
Exercised warrant (Units)	1,231,800	918,600	3,004,450	154,350
Swapped ordinary share (Shares)	1,231,800	918,600	3,004,450	154,350
Remaining warrant (Units)	17,288,550	16,369,950	13,365,500	13,211,150
Remaining reserved share (Shares)	17,288,550	16,369,950	13,365,500	13,211,150
Amount receiving from the exercise (Baht)	36,054,786	26,887,422	87,940,251.50	4,517,824.50

As a result of the ESOP-W2 exercises, the changes in the Bank's ordinary shares and paid-up capital have become:

Detail	Exercise of ESOP-W2			
	7th Exercise	8th Exercise	9th Exercise	10th Exercise
Previous ordinary share (Shares)	833,678,259	834,910,059	835,828,659	838,833,109
New ordinary shares (Shares)	834,910,059	835,828,659	838,833,109	838,987,459
Fully paid-up capital (Baht)	8,349,100,590	8,358,286,590	8,388,331,090	8,389,874,590



**Dividend Policy**

The Bank has a policy to pay dividend not exceeding 60 percent of net profits from an annual consolidated financial statements. Payout of dividend has to be approved at a General Meeting of Shareholders. An interim dividend can also be made if the Bank's profit is appropriate to do so and such payment shall be reported in the next General Meeting of Shareholders.

In considering dividend payment, the Bank takes into account such these aspects : a long-term return to shareholders, the Bank's capital adequacy level to encompass any business plans and risks both in normal and crisis conditions, as well as pre-and post-impacts from a given dividend payment.

Dividend payment is made in such a rate that would not lower capital adequacy ratio less than the Minimum Capital Requirement as specified in the Bank's risk appetite. Also, the payout does not obstruct the Bank to gradually increase its reserve level for non-performing loans in order to be on par with the average of other Thai commercial banks, according to the Bank's policy on reserve.

The Bank has not set the dividend payout from its subsidiaries, however, the dividend payment of the Bank's subsidiaries has to be approved by the Shareholders' General Meeting of each company, also comply with the Company's Article of Association. The dividend payment of subsidiaries depends importantly on each company's business performance and plans.

# Management Structure

## Board of Directors

The Board of executive directors comprises of 15 directors, 6 are independent directors, 3 are non-executive directors and 6 are executive directors.

1. Mr. Supol Wattanavekin	Chairman	<i>Non-Executive Director</i>
2. Mr. Pichai Dachanapirom	Director	<i>Independent Director</i>
3. Assoc. Prof. Manop Bongsadadt	Director	<i>Independent Director</i>
4. Mr. Chet Pattrakornkul	Director	<i>Independent Director</i>
5. Mr. Pravit Varutbangkul	Director	<i>Independent Director</i>
6. Dr. Anumongkol Sirivedhin	Director	<i>Independent Director</i>
7. Mr. Pongtep Polanun	Director	<i>Independent Director</i>
8. Mr. Tarnin Chirasoonon	Director	<i>Non-Executive Director</i>
9. Mr. Suraphol Kulsiri*	Director	<i>Non-Executive Director</i>
10. Mr. Suvit Mapaisansin*	Director	<i>Non-Executive Director</i>
11. Mr. Banyong Pongpanich	Director	<i>Non-Executive Director</i>
12. Mr. Aphinant Klewpatinond*	Director	<i>Non-Executive Director</i>
13. Mr. Krittiya Veeraburus	Director	<i>Non-Executive Director</i>
14. Ms. Thitinan Wattanavekin*	Director	<i>Non-Executive Director</i>
15. Mr. Pracha Chumnarnkitkosol	Director	<i>Non-Executive Director</i>
16. Ms. Pornpip Chuprakhun	Corporate Secretary	

\* These directors are empowered to act on behalf of the Bank.

## Summary of the Board of the Directors meetings and committees

Directors	Committees for 2013						Executive Position held during the year
	Board of Directors (9)	Audit Committee (8)	Nomination and Remuneration Committee (7)	Compliance and Governance Committee (7)	Risk Management Committee (10)	Management Committee (16)	
1. Mr. Supol Wattanavekin	9/9	-	-	-	10/10	16/16	Attended the Board meeting as a consultant
2. Mr. Pichai Dachanapirom	9/9	8/8	-	-	-	-	
3. Assoc. Prof. Manop Bongsadatt	6/9	-	6/7	-	-	-	
4. Mr. Chet Pattrakornkul	9/9	8/8	7/7	7/7	-	-	
5. Mr. Pravit Varutbangkul	9/9	8/8	1/1	7/7	-	-	July 25, 2013, Appointed to the Board for Nomination and Remuneration
6. Dr. Anumongkol Sirivedhin	8/9	8/8	1/1	-	-	-	July 25, 2013, Appointed to the Board for Nomination and Remuneration
7. Mr. Pongtep Polanun	8/9	-	6/6	-	-	-	July 25, 2013, Resigned from the Board for Nomination and Remuneration
8. Mr. Tarnin Chirasoonton	9/9	-	-	7/7	-	-	
9. Mr. Suraphol Kulsiri	9/9	-	6/6	-	-	-	July 25, 2013, Resigned from the Board for Nomination and Remuneration
10. Mr. Suvit Mapaisansin	8/9	-	5/6	-	-	10/11	July 28, 2013, Appointed as Managing Director. July 25, 2013, Resigned from the Board for Nomination and Remuneration
11. Mr. Banyong Pongpanich	9/9	-	-	-	9/10	16/16	
12. Mr. Aphinant Klewpatinond	9/9	-	-	-	9/10	16/16	
13. Mr. Krittiya Veeraburus	4/4	-	-	-	8/8	16/16	July 28, 2013, Appointed as Director of Risk Management May 18, 2013, appointed to the Board Of Directors replacing Mr. Veravat Chutichetpong
14. Ms. Thitinan Wattanavekin	8/9	-	-	-	-	16/16	
15. Mr. Pracha Chumnarnkitkosol	5/5	-	-	-	9/10	14/16	July 25, 2013, appointed to the Board Of Directors replacing Mr. Tawatchai Sudtikitpisan

NB. Directors who resigned during the year

1. Mr. Tawatchai Sudtikitpisan completed his tenure as Director of the Bank without an extension, effective as of April 25, 2013
2. Mr. Veravat Chutichetpong resigned from position as Director of the Bank, effective as of May 1, 2013.

## Management

The Management comprised of 16 personnel, namely the president, managing director and president of commercial banking, president of money market and vice-presidents as follows:

No.	Name	Position
1	Mr. Banyong Pongpanich	Chief Executive Office
2	Mr. Aphinant Kiewpatinond	President and Chairman of Commercial Banking Business
3	Mr. Krittiya Veeraburus	First Executive Vice President, Chairman of Capital Market Business, Head of Corporate Strategy
4	Ms. Thitinan Wattanavekin	First Executive Vice President, Head of Priority Banking Group
5	Mr. Pracha Chumnarnkitkosol	First Executive Vice President, Head of Special Asset Management Group
6	Mr. Chavalit Chindavanig	First Executive Vice President, Head of Finance and Budgeting Group
7	Mr. Chaiwat Lertvanarin	First Executive Vice President, Head of Information Technology Group
8	Mr. Thawathai Techawatanawana	First Executive Vice President, Head of Corporate Banking Group
9	Mr. Preecha Techarungchaikul	First Executive Vice President, Head of Financial Markets Group
10	Dr. Popanit Poommarapan	First Executive Vice President, Head of Risk Management Group
11	Mr. Patraporn Milindasuta	First Executive Vice President, Chief Governance Office
12	Mr. Manit Wannavanit	First Executive Vice President, Head of Sales Distribution Group
13	Mr. Sarawut Charuchinda	First Executive Vice President, Head of Commercial Lending Group
14	Dr. Anuchit Anuchitanukul	First Executive Vice President, Head of Process and Product Improvement and Alternative Channels Group
15	Mr. Worrakrit Jaruwongpak	First Executive Vice President, Head of Operations Group
16	Mr. Wittapon Jawjit	First Executive Vice President, Head of Human Resource Management Group

NB : No. 9 effective on March 6, 2013  
 No. 11 effective on June 13, 2013  
 No. 14 effective on July 2, 2013  
 No. 15 effective on January 16, 2013  
 No. 16 effective on January 16, 2013

## Corporate Secretary

The Board of Directors appointed Ms. Porntip Chuprakhun, to the position of Corporate Secretary on January 13, 2010 so as to facilitate the work of the Board of directors with respect to regulations, committee meetings and shareholder meetings. Furthermore, the responsibility and duties also include:

1. Advising Directors on basic law and regulations that they need to know in order to administer the functions of the Board of directors
2. Organize and manage shareholder meetings, Board of Directors meetings and sub-committee meetings in accordance with law and regulations of the Bank. Corporate Secretary is responsible for registration of the directors for each committee, following through with the resolutions

of the shareholder and the Board of Directors meetings, in accordance with any other laws and regulations which may be related

3. Manage and maintain current registration of directors, organize shareholder meetings and minutes, annual report of the Bank and arrange for the Board of Directors meeting and minutes
4. Ensure that directors and management issue an equity report on themselves and relations in accordance with the law. These records must be maintained and forwarded to the Chairman of the Board and the Chairman of Audit Committee as stipulated by the law
5. Manage the disbursement of information, according to regulations of the relevant agencies that oversees the Bank

6. Process all matters concerning the registration of shares, the payment of dividends and increase of registered capital

7. Process all other matters in accordance with the regulations of the Capital Market Commission.

## Remuneration of the Directors and the Management

### 1. Cash Remunerations

#### Directors

In considering the remunerations, 3 important factors are:

- Monthly stipends: For the tenure of their position as Chairman and Directors of the Board
- Meeting Allowances: Directors will receive these allowances every time they attend a meeting of the committees that they are assigned to

- Annual Bonus: For Directors, this is an annual payment which will be dependent on the performance of the Bank.

For any Directors, who may be in managerial positions of the Bank and any of the financial affiliates, and have received remunerations by holding these positions, they will not be eligible to receive such remunerations

Besides these remunerations, the Directors are entitled to receive allowances when they have been appointed as directors on sub-committees such as The Audit Committee, The Nominations & Remuneration Committee, The Compliance and Governance Committee, The Risk Management Committee, The Executive Committee, and The Main Credit and Fore closed Property Committee, deemed appropriately

Name	Board of Directors	Audit Committee	Nominations and Remuneration Committee	Risk Management Committee	Main Credit and NPA Committee	Compliance and Governance Committee	Advisor to Executive Committee	Gratuity of 2013 (Paid in 2014)	Grand Total
1. Mr. Supol Wattanavekin	1,088,000	-	-	930,000	-	-	2,200,000	1,600,000	5,818,000
2. Mr. Pichai Dachanapirom	544,000	234,000	-	-	-	-	-	800,000	1,578,000
3. Assoc. Prof. Manop Bongsadatt	544,000	-	172,000	-	-	-	-	800,000	1,516,000
4. Mr. Chet Pattrakornkul	544,000	151,000	125,000	-	-	204,000	-	800,000	1,824,000
5. Mr. Pravut Varutbangkul	544,000	151,000	20,000	-	-	131,000	-	800,000	1,646,000
6. Dr. Anumongkol Sirivedhin	544,000	151,000	20,000	-	-	-	-	800,000	1,515,000
7. Mr. Pongtep Polanun	544,000	-	105,000	-	840,000	-	-	800,000	2,289,000
8. Mr. Tarnin Chirasoonton	544,000	-	-	-	-	131,000	-	800,000	1,475,000
9. Mr. Suraphol Kulsiri	544,000	-	105,000	-	820,000	-	-	800,000	2,269,000
10. Mr. Suwit Mapaisansin	144,000	-	-	-	-	-	-	-	144,000
11. Mr. Banyong Pongpanich	144,000	-	-	-	-	-	-	-	144,000
12. Mr. Aphinant Kiewpatinond	144,000	-	-	-	-	-	-	-	144,000
13. Mr. Krittiya Veeraburus	-	-	-	-	-	-	-	-	-
14. Ms. Thitinan Wattanavekin	144,000	-	-	-	-	-	-	-	144,000
15. Mr. Pracha Chumnarnkitkosol	-	-	-	-	-	-	-	-	-
<b>Resigned Directors During Year 2013</b>									
16. Mr. Tawatchai Sudtikitpisan	144,000	-	-	-	-	-	-	-	144,000
17. Mr. Veravat Chutichetpong	144,000	-	-	-	-	-	-	-	144,000
<b>Total</b>	<b>6,304,000</b>	<b>687,000</b>	<b>547,000</b>	<b>930,000</b>	<b>1,660,000</b>	<b>466,000</b>	<b>2,200,000</b>	<b>8,000,000</b>	<b>20,794,000</b>

(1) appointed on May 18, 2013

(2) appointed on April 25, 2013

(3) Retiring director who rejected to be the director for another term on April 25, 2013

(4) Resigned on May 1, 2013

(5) Directors 10-12, 14 & 16 received remunerations till end of April 2013

(6) Directors received monthly salaries from holding managerial posts at the Bank and financial affiliates and did not receive such remunerations under the shareholders' resolution dated April 25, 2013



## Changes in shareholding of the Bank for the Directors and ESOP-W2 program

No.	Director	Shareholding (Shares)			Change Increase/ (Decrease) (Dec 2012 & Dec 2013)	ESOP-W2 Holding (Units)			Change Increase/ (Decrease) (Dec 2012 & Dec 2013)
		Dec 31, 2012	Jun 30, 2013	Dec 31, 2013		Dec 31, 2012	Jun 30, 2013	Dec 31, 2013	
1	Mr. Supol Wattanavekin	12,426,850	12,426,850	13,364,350	937,500	1,250,000	937,500	312,500	(937,500)
2	Mr. Pichai Dachanapirom	75,000	75,000	100,000	25,000	75,000	75,000	50,000	(25,000)
3	Assoc. Prof. Manop Bongsadadt	25,000	25,000	75,000	50,000	75,000	75,000	25,000	(50,000)
4	Mr. Chet Pattrakornkul	-	25,000	50,000	50,000	75,000	50,000	25,000	(50,000)
5	Mr. Pravut Varutbangkul	230,000	225,000	250,000	20,000	75,000	50,000	25,000	(50,000)
6	Dr. Anumongkol Sirivedhin	18,270	18,270	18,270	-	-	-	-	-
7	Mr. Pongtep Polanun	38,488	488	488	(38,000)	-	-	-	-
8	Mr. Tarnin Chirasoonton	25,000	50,000	75,000	50,000	75,000	50,000	25,000	(50,000)
9	Mr. Suraphol Kulsiri	-	60,000	60,000	60,000	194,000	97,000	97,000	(97,000)
10	Mr. Suvit Mapaisansin	4,029,406	4,029,406	5,029,406	1,000,000	-	-	-	-
11	Mr. Banyong Pongpanich	2,336,246	1,500,046	2,000,046	(336,200)	-	-	-	-
12	Mr. Aphinant Klewpatinond	-	-	550,000	550,000	-	-	-	-
13	Mr. Krittiya Veeraburus <sup>/1</sup>	172	172	172	-	-	-	-	-
14	Ms. Thitinan Wattanavekin	34,782,761	34,782,761	35,345,261	562,500	750,000	750,000	187,500	(562,500)
15	Mr. Pracha Chumnannrkitkosol <sup>/2</sup>	-	-	-	-	375,000	375,000	375,000	-

ESOP-W2 is the ESOP Warrant issued by the Bank

<sup>/1</sup> Appointed effective on May 18, 2013

<sup>/2</sup> Appointed effective on April 25, 2013

The Bank has a clear and transparent policy for compensations paid to the Directors, for which The Nominations & Remuneration Committee has the duty to review. These compensations are at same level as other businesses in the same industry and are able to ensure that the Bank is able to keep the directors of high caliber that the Bank needs. Furthermore, they are appropriate and in accordance with the responsibilities and duties of the Directors. The Nominations & Remuneration Committee considers and proposes the compensation package to the Board of Directors of the Bank and is then presented to the shareholder's meeting for approval.

#### Remunerations of the Executives

For the year 2013, the Bank paid compensations to 19 executives (including Senior Vice-President - Accounts, Executives who resigned and also those that were deceased during the year) totaling Baht 133 million. The compensations

made to the executives were in the form of monthly salaries, provident funds and bonuses which are varied and dependent on the performance of the Bank. Besides these, the Bank has not offered any rights to purchase or sell any assets to the executives.

The Board of Directors does a yearly performance evaluation of all executives and managerial personnel including the Managing Director and Presidents of Affiliates, using these evaluations in determining the appropriate compensations. The Chairman of the Nominations & Remuneration Committee who is a senior and independent Director of the Committee will announce the results of the evaluations to all concerned parties.

#### 2. Other Compensations

For Directors and employees (ESOP-W2), the Bank issues common share purchase warrants as follows:

## Changes in shareholding of the Bank for the Executives and ESOP-W2 program

No.	Executive	Shareholding (Shares)			Change Increase/Decrease	ESOP-W2 Holding (Units)			Change Increase/Decrease
		Dec 31, 2012	Jun 30, 2013	Dec 31, 2013		Dec 31, 2012	Jun 30, 2013	Dec 31, 2013	
1	Mr. Chavalit Chindavanig	187,500	187,500	281,250	93,750	187,500	187,500	93,750	(93,750)
2	Mr. Chaiwat Lertvanarin	-	-	-	-	-	-	-	-
3	Mr. Thawatchai Techawatanawana	-	-	-	-	-	-	-	-
4	Mr. Preecha Techarungchaikul <sup>/1</sup>	-	-	-	-	-	-	-	-
5	Dr. Popanit Poommarapan	-	-	-	-	-	-	-	-
6	Mr. Pattaporn Milindasuta <sup>/2</sup>	-	-	-	-	-	-	-	-
7	Mr. Manit Wannavanit	-	8,000	30,000	30,000	-	-	-	-
8	Mr. Sarawut Charuchinda	60,000	110,000	110,000	50,000	525,000	375,000	375,000	(150,000)
9	Mr. Anuchit Anchitanukul <sup>/3</sup>	-	-	-	-	-	-	-	-
10	Mr. Worakrit Jaruwongpak <sup>/4</sup>	-	-	-	-	-	-	-	-
11	Mr. Wittapon Jawjit <sup>/5</sup>	-	-	-	-	-	-	-	-
12	Mrs. Suree Hampinijsak	-	-	33,250	33,250	46,500	46,500	23,250	(23,250)

ESOP-W2 is the ESOP Warrant issued by the Bank

<sup>/1</sup> Appointed effective on March 6, 2013

<sup>/2</sup> Appointed effective on June 13, 2013

<sup>/3</sup> Appointed effective on July 2, 2013

<sup>/4</sup> Appointed effective on January 16, 2014

<sup>/5</sup> Appointed effective on January 16, 2014

## Personnel

In 2013, the Bank restructured the organization to improve the performance and efficiency of the personnel so as to align it with policies and targets of the Kiatnakin Phatra Finance Group.

This was done to improve the quality of the Bank and to ensure that it is competitive and able to maintain a sustained growth. As of 31 December 2013, the Kiatnakin Phatra Finance Group employed 3,942 personnel (including outsourcing) as follows:

Kiatnakin Phatra Financial Group	No. of personnel (2012)	No. of personnel (2013)
Kiatnakin Bank Public Co., Ltd.	3,120	3,137
Erawan Law Office Co., Ltd.	131	130
KKTRADE Securities Public Co., Ltd.	276	291
Phatra Asset Management Co., Ltd.	54	43
Phatra Capital Public Co., Ltd.	21	42
Phatra Securities Public Co., Ltd.	257	299
<b>Total</b>	<b>3,860</b>	<b>3,942</b>

### Compensation for employees

The Bank stresses on a just and fair system in managing the human resources especially when considering the compensation, based on the work performance of the staff. Therefore, the Bank has laid out the principles of compensation on the results of the real performance of employees (pay per performance). The Bank is also aware that management of rewards cannot be solely based on management of compensations and salaries but must include other factors such as type of work, value of the work, other welfares and benefits. These are all factored into the rewarding scheme which dictates the regulations of payments or receiving of benefits for the work done, to be proper and just.

### Provident Fund

In accordance with the Ministerial regulation No. 162 (1983), The Bank has set up a provident fund for employee welfare with the purpose of

- (1) Encouraging savings
- (2) Guarantee for the members and their family.

The provident fund is a registered fund of Act of 1997, under the name of "Kiatnakin Provident Fund and The Siam Commercial Master Fund". The details of the savings and the subsidized rates are:

No. of years of employment	Rate of Subsidy (%)
Less than 5 years	5
More than 5 years	10

The Bank offers choices for investment of the provident fund for the employees of Kiatnakin Bank by permitting the members to make changes in investment policy of the fund twice a year, namely January and July.

### Operation in supporting the Business Group

In order to meet the needs of the increasing expansion and the projections of the Bank, it is imperative that the Bank recruits personnel of very high caliber and train them in all aspects of the business to provide the very best of services to the customers, boost their morale and provide them with good and rapid internal communications.

### 1. Human Resources Policy

#### (1) Search and Recruitment of quality personnel.

The Bank employs quick and modern methods, using every available channel to reach the persons that are right for the position and selecting and recruiting job applicants with the highest qualities, in this highly competitive environment. The Bank develops both recruiters and the interviewing Directors and places great importance in providing them with all the necessary tools to be able to appraise qualities, skills and abilities (Competency-based Selection), needed for the requirements of the position-to-be-filled and the expanding business. Emphasis is also placed on attitude, business ethics, creativity, all of which are necessary for sustained growth of the business.

#### (2) People Assessment

The Bank conducts a yearly assessment of the employees with emphasis on assessing the potential to perform their duties, assessing their development and skills in reaching the goal successfully and in line with policies. This assessment is a transparent and a just process for all employees at every level, using a combination of chain of command assessment and 360 degree assessment.

The important aim of the assessment is to not only to assess the employees, but that it is also a tool which will improve the work procedures and allow better management of the human resources. The yearly assessment is an important means in maintaining the highest standards of performance and providing service to the customers. Furthermore, the results of the assessment can provide feedback to the staff of their development and their own potential to advance in their career path and gives the Bank an ability to screen out and keep employees with the much-needed qualities who have passed the various proactive measures.

#### (3) Employee Compensation and Benefits

The Bank considers compensations for the employees based on real work done, in a just and fair manner. These are broken up into 3 types:

3.1 Direct Monetary Compensation: This is a reward directly related to the work such as increase in workload, compensation for good results of the accomplishment of tasks and rewarding employees for their dedication

and involvement in the success of the business and other outstanding achievements.

3.2 Indirect Monetary Compensation: Assigning seniority levels and considerations to social responsibilities and other welfares such as provident fund, social welfare, group health insurance, group life insurance, group accident insurance, nursing facilities on the premise, and “Mother Care” (for employees with new-born babies and require milk to be kept for their children). Other non-monetary include assignment of challenging tasks which will provide an opportunity for the advancement of the employee, the development of the staff through training and others, like supporting their personal development.

## **2. Human Resources Development Policy**

### **(1) Training**

The Bank strives to support and develop employees at every level. Beginning from the employees at the lowest level right up to the executive level, they receive training to improve their skills, knowledge and attitude building. At these training sessions, special emphasis is placed on skill development, knowledge and their ability to perform their duties according to the position (Functional Skills), know-how of their basic skills (Core Skills), including leadership skills. During 2013, the Bank arranged for numerous training seminars both internally as well as from outside, employing several development procedures such as seminars, operational seminars, explanation through E-learning including inviting well-versed specialists, who are knowledgeable and have extensive experience to train the staff, helping to make these seminars of high standards.

### **(2) Knowledge Management (KM)**

Evert department amasses and exchanges work-related knowledge and experiences that forms the database to be distributed inside the Bank. This is for research and to be used in ways that could lead to updating and innovating within the department. The Bank supports by organizing The KM Day, a competition for innovation and creativity making The Bank a learning institute.

### **(3) Succession Plan**

The Bank follows a policy of position substitute, using a succession plan to fill in any vacant director and executive positions. For 2013, the Bank increased the requirements of successors to any critical positions, to ensure that the Bank has people who are knowledgeable and with abilities, needed to continue the Bank's businesses.

## **3. Internal Communication**

The Bank has put in place a highly-efficient and rapid communication system with employees such as the intranet KK world, the KK SMS for sending short messages to employees, KK VDO conference for long-distance conferences and posters announcing gifts for various occasions so that the staff will have all information available and ready for use inside and outside the organization. This is a venue for exchange of ideas and is also a channel of information between employees and management. This fosters an atmosphere of cooperation at work and creates an ideal working environment, promotes good image of the organization and supports the Bank to achieve business projections.

# Internal Controls

## Summary of Internal Controls

The Bank pays attention to the importance of good governance policies and prescribes its executives and staff to abide by the following guidelines:

- Promote, support and establish greater understanding of internal controls, as well as create positive relationships and widespread acceptance among executives and staff on their particular duties and roles through effective corporate communications fostered by the top executives.
- Promote and support the implementation of a self-regulation process in each division or business unit with adherence to the internal control frameworks and guidance of COSO Enterprise Risk Management (COSO ERM).

## Internal Controls

It is the Bank's policy to foster an effective and efficient self-regulation process, internal controls, and risk management. The Audit Committee, the Compliance and Governance Committee, the Risk Management Committee, and the assigned executives regularly review the efficiency of the three such processes which govern financial controls, operations, and compliances. Accordingly, internal control elements are being assessed, particularly in eight aspects namely "Internal Environment", "Objective Setting", "Event Identification", "Risk Assessment", "Risk Response", "Control Activities", "Information and Communication", and "Monitoring". The Bank also takes appropriate actions to assure consistent improvements on the three such processes.

To conform to the frameworks and guidance of good governance, internal controls, and risk management, as prescribed in the eight components of COSO Enterprise Risk Management (COSO ERM), the Bank undertakes the following actions:

### 1. Internal Environment

The Bank encourages its directors, executives, and all staff to recognize the essentiality of an internal control system. The Board and board appointed committees oversee that business objectives are clearly stated and assessable, and are applicable as staff practice guidelines. The organizational structure is designed to enable efficient management of business operations. The Bank prescribes in writing its Code of Business Conduct and conflict of interest policy that prohibit executives and staff to act in a manner that would create

a conflict with the organization's interests, as well as prescribing penalties for violations thereof. The Bank established the Internal Audit Office, the Compliance Office, and the Risk Management Group which are the key supporting arms that assure efficiency of a good governance environment, internal controls, and risk management. The Bank also established in writing policies and procedures that strictly govern financial transactions, procurements, and general administrations, and fraud protection measures. In addition, it has also set strategies on human resources management and prescribes staff policies regarding selection, recruitment, orientation, and training & development. Other internal control mechanisms include supervision and team management, and appropriate checks and balances in each of the bank business functions.

### 2. Objective Setting

Each of the Bank's business units is required to set its objectives that are linked to the Bank's corporate visions, missions and strategies, with clearly defined balanced scorecard criteria and key performance indicators. In brief, the "SMART" concept, which is an acronym for criteria for setting of objectives that represent business imperatives, is applied. Such concept includes:

**Specific:** targeted returns or outcomes are clearly defined and comprehensible to all staff.

**Measurable:** achievements can be quantified and measured.

**Achievable:** targets are possible to achieve under the availability of the Bank's current resources.

**Relevant:** conform to the Bank's operation strategies and targets.

**Timeliness:** achievement timeframe is clearly specified.

All of these objective settings aim to create efficiency, appropriateness, and a common ground on corporate direction, for an acceptable risk level.

### 3. Event Identification

The Bank identifies internal and external events that can impact its achievement targets for business operations. Appropriate stress test assessments under given stress scenarios are implemented to evaluate the severity of potential losses or adversity, as well as to find proper response planning for such outcomes. The Bank's Risk Management Group,



under the supervision of the Risk Management Committee, generally performs regular reviews of stress test procedures and environment, in accordance with the risk management framework and policy prescribed by the Bank of Thailand.

#### **4. Risk Assessment**

The Bank consistently and continually fosters risk management policy and risk assessment processes, evaluates both internal and external risk factors that may materially affect the Bank's business operations, establishes control measures to monitor circumstance changes in such factors, and implements mitigation measures thereof. The Bank's Risk Management Group, under the supervision of the Risk Management Committee, regularly communicates with relevant functions of the Bank to remain aware and comply with such risk management measures. The Internal Audit Office shall review and monitor relevant implementations thereof to assure the compliance of the prescribed risk management plans by each business unit.

#### **5. Risk Response**

The Risk Management Group, together with related business units, determine risk response methods for mitigation of such risk to an acceptable threshold. Exploring of appropriate risk response methods to the probability or consequences of a risk event is undertaken via cost benefit analysis. The Bank continually and consistently monitors and reviews risk response measures.

#### **6. Control Activities**

The Bank clearly prescribes in writing its Dilation of Authority that governs all its authority levels in the management, and the Board and Board appointed committees. The controls also include the segregation of duties and responsibilities of various functional roles, involving granting of approval and authorization, recording of information data and recognition of accounting entries, as well as fiduciary duty and property management. The actions create a check and balance mechanism. In the event that the Bank undertakes transactions with its major shareholders, directors, executives or connected parties thereof, the Bank also sets approval measures to govern such transactions, and in the event that the Bank has investments in its subsidiaries or affiliates, the Bank also monitors the business operations of such entities on a regular basis. The Bank provides strategic directions to an individual for whom

it has appointed to serve as director or management of such entities to comply with. The Compliance Office monitors legal compliance of the Bank to assure the mitigation of reputation risk. In the event of error and deficiency, a fact finding panel, comprising of an independent body, shall be established to investigate facts as well as to propose remedial and improvement methods to prevent any future recurrence of such error and deficiency.

#### **7. Information & Communication**

The Bank has arranged to have an information technology system that can well support information management. It has also established comprehensive intra-corporate communications that are high-quality, clear, timely and with organization wide coverage. The system, which has the beneficial features of completeness, simplicity, and an easy-to-use pattern, provides support to decision-making, with data storage and data classification. The Bank has set up a Committee for Process Development and Information Technology to define its development targets for internal work process and IT improvements to be in line with its overall policy objectives. It also promotes knowledge management activities to make knowledge and proficiency accessible to all staff, and encourage them to apply such knowledge and proficiency in their work duties. The Banks also promotes business expertise and advisory skills among staff to enable them to better serve their clients, trade partners, and related parties, as well as render maximized corporate benefits as per the Bank's targeted visions and missions.

#### **8. Monitoring**

The Bank has processes, procedures and tools to support its executives, Board members, and Board appointed committees to monitor business operations, improve efficiency, and make assessments according to the balanced scorecard criteria and key performance indicators. All these help in assuring performances and on-going efficiency of the internal control system and are regularly adjusted with changes in circumstances. It also assures that any errors or omissions are promptly identified for remediation. The Bank prescribes the reporting of its operational results, performances, comparative performance targets on a monthly and quarterly basis, according to their relative importance and impacts. It also monitors and reports incurred losses for assessment

and review of operation process and efficiency of applied risk management tools. The monitoring process includes reviews of minutes of meeting, loss reports, complaints, and random checks on self-assessment reports made in accordance with self-regulation and self-control concepts. The monitoring actions are made by the Compliance Office, Risk Management Group, and the Internal Audit Office, together with investigations by external auditors. The Board of Directors also assesses the adequacy of the internal control system on an annual basis, to assure that the Bank has appropriate internal control system, thus making it capable of achieving its targeted goals.

#### Report of the Audit Committee

Please refer to further details in the topic of “Report of the Audit Committee” in the Attachment 4.

#### Summary of the Opinions of the Board of Directors to Internal Controls

The Board of Directors is of the opinion that the bank and its subsidiaries has sufficient and appropriate internal control system which can protect the assets of the Bank and its subsidiaries from any misappropriation or unauthorized action of directors or executives. In the past year the Bank and its subsidiaries had some deficiencies in the internal control system, to which the management has paid serious attention to correct and improve. The Audit Committee shared the similar views as the Board of Directors. The external auditors did not make any remarks which can be deemed as being of any significance on the Bank’s internal controls. The related party transactions between the Bank and people who can present potential conflicts of interest which are undertaken in the ordinary course of business, are disclosed in the notes to the financial statements.

The Bank arranges to have internal control assessment survey and directors’ performance assessments every year.

#### Chief Internal Auditor

During the Meeting of the Audit Committee No.1/2012 on 11 January 2012, the Committee approved the appointment of Dr. Narong Preedanana to hold the position of Executive Vice President, Internal Audit. The decision was submitted

to the Board of Directors for further approval. Dr. Narong Preedanana has over 20 years of internal audit work experiences with leading financial institutions. He sufficiently attended various internal audit training courses and has a good understanding of the Bank’s business and operations, and thus is suitable to perform his assigned tasks. The decisions on appointment, transfer, dismissal of the Chief of the Internal Audit Office require approval from the Audit Committee. The qualifications of a person who takes the position of Chief of the Internal Audit Office appear in the Attachment 3.

#### Details of Head of Internal Audit

##### Dr. Narong Preedanana

Executive Vice President, Internal Audit

#### Education and Professional Certificates

- Doctor of Business Administration (DBA), University of South Australia, Australia
- MBA, University of Leicester, UK
- BA (Accounting & Finance), Chulalongkorn University

#### Professional Certificates :

- CFSA (Certified Financial Service Auditor, IIA)
- CCSA (Certification in Control Self Assessment, IIA)
- CRISC (Certified in Risk and Information System Control, ISACA)

#### Work Experiences and Trainings

- 2555 - Present      Executive Vice President, Head of Internal Audit, Kiatnakin Bank Plc.
- 2547 - 2554      Senior Vice President, Group Audit, TMB Bank Plc.
- 2544 - 2546      Vice President, Financial Markets Audit, DBS Thai Dhanu Bank Plc.
- 2540 - 2543      Vice President, Head of Internal Audit, Thailand Securities Finance Cooperation (TSFC) Securities Co., Ltd.
- 2535 - 2539      Senior Manager, Finance One Plc.
- 2534 - 2535      Management Internal Control, the Chase Manhattan Bank N.A.

- 2530 - 2533 Audit Officer, Siam Commercial Bank Plc.

#### Trainings :

- New COSO Internal Control Framework 2013, The Stock Exchange of Thailand
- Director Certification Program (DCP), The Institute of Directors (IOD)
- Director Accreditation Program (DAP), The Institute of Directors (IOD)
- Anti-Corruption, The Institute of Directors (IOD)
- First 100 Companies : Collective Active Power in Anti-corruption, The Institute of Directors (IOD)
- Strategic Internal Audit and Corporate Success, Omegaworldclass
- Enterprise Risk Management, Omegaworldclass
- Internal Audit Briefing : Where internal audit goes next, PricewaterhouseCoopers
- Information Technology and Audit to prevent Fraud, Fraud Risk & Investigation Association
- Final FATCA Regulations Workshop, Deloitte
- TFRS & IFRS Excellence, Deloitte
- How does external audit assist Audit Committee carry out its roles effectively, The Stock Exchange of Thailand
- Others; e.g. Internal Audit Workshop (London), Derivatives (DBS Bank/Singapore), New Financial Instruments: Accounting & Taxation (Euromoney/Hong Kong), Fundamental of Financial Derivatives, Treasury System (Australia), Bond/Debt (Euro money), Credit Training Programme, Asset Liability Management, etc.

#### Chief Compliance Officer

During the Meeting of the Board of Directors No.1/2014 on 31 January 2014, the Board resolved the appointment of Mr.Aphichart Chongsanguanpradab to hold the position of Executive Vice President Compliance Department, effective as of 1 February 2013 and the Bank of Thailand has approved such appointment.

Mr. Aphichart Chongsanguanpradab has over 17 years of experiences in compliance, supervisory policy for securities

business, and internal audit of financial institutions. He attended various training courses, including the Compliance Officer Program organized by the Bank of Thailand together with Faculty of Law, Chulalongkorn University, and Thai Bankers' Association, as well as the ASCO Compliance Training Program organized by the Association of Thai Securities Companies.

#### Details of Head of Compliance

##### Mr. Aphichart Chongsanguanpradab

Executive Vice President, Compliance Department

#### Education :

- Bachelor of Accountancy, Chulalongkorn University
- Master of Business administration with Finance Concentration, Eastern Michigan University
- Work Experiences and Training Programs

#### Work Experiences :

- 2011 - 2014 Head of Operation, Phatra Securities Public Company Limited
- 2010 - 2011 Compliance Officer, Credit Suisse (Thailand) Securities Company Limited
- 2004 - 2010 Head of Compliance, Phatra Securities Public Company Limited
- 2003 - 2004 Compliance Officer Merrill Lynch International Bank Limited (Merchant Bank) (Singapore Branch)
- 1999 - 2003 Compliance Officer, Merrill Lynch Phatra Securities Company Limited
- 1997 - 1999 Internal Auditor, Bangkok Bank Public Company Limited

#### Training Programs :

- ASCO Compliance Training Program organized by Association of Thai Securities Companies
- Compliance Officer of Commercial Bank organized by the Bank of Thailand, The Faculty of Law Chulalongkorn University and The Thai Bankers' Association

- Fraud Risk in Financial Institutions (Best practice) organized by The Thai Institute of Banking and Finance Association
- Customer Due Diligence Ministerial Rules (B.E.2556) organized by Anti-Money Laundering Office
- FATCA Training Workshop organized by KPMG (Thailand) Company Limited
- FATCA Training organized by Standard Chartered Bank (Thai) Public Company Limited

#### **Roles and Responsibilities :**

1. Provide departmental strategic plan (business, budget, resource plans) in consistent with organization direction and strategy
2. Determine departmental goals and objectives which are appropriate with organizational direction as well as their benchmarks with the management
3. Prepare performance evaluation, monitoring, following up guidelines and perform assessment as such
4. Determine and approve compliance policies
5. Develop conclusive compliance system/process and update relevant laws as well as distribute notices, guidelines, policies, manual, including KM distribution
6. Advise and provide training in relation to policies, process or other matters with respect to relevant laws, rules and other guidelines especially those in connection with new product or financial transaction to directors, management and employees
7. Assess the process sufficiency and effectiveness and provide solution to other parties to improve process which are in connection with compliance matters
8. Determine guidelines for record retention for agreements which the bank entered into with the clients e.g. hire purchase agreements, loan agreements etc.
9. Determine and evaluate guidelines for compliance surveillance program with relevant laws and regulations enforced to the financial institutions and report any potential regulatory risks
10. Determine guidelines for compliance surveillance program with the bank policies, notices, processes and work manuals
11. Determine guidelines with other parties to improve work process which is in relation to regulatory compliance
12. Monitor, analyze and investigate transactions for any potential suspicious transactions as well as report to Anti Money Laundering Office and collectively consider mutual resolution.

# Factors Affecting Investment Decision

## Legal Disputes

As of 31 December 2013, the Bank and its subsidiaries had 56 legal cases that were pending in court, all of which were in the ordinary course of business. The total amount in dispute was Baht 9,239 million, which can be classified as follows:

- 25 cases with the total amount in dispute of Baht 173 million were in judicial procedures in the Court of First Instance
- 31 cases with the total amount in disputes of Baht 9,066 million were in judicial procedures in the higher courts (the Court of Appeals and the Supreme Court of Justice of Thailand). Out of all these cases, 10 cases with a total amount in dispute of Baht 8,079 million were cases relating to mutual fund disputes in which the Bank, acting as a litigant, was the main unit holder, holding more than 99.9% of the said mutual fund units. At present, the cases have been dismissed by the Court of First Instance, and are in the process of appealing to the higher courts.

In view of the Bank's management, the amount in dispute in all these litigations, in which the Bank was a defendant, as yet has no material impact on the Bank's operation.

As for the dispute relating to the payment demand for damages requested by the Legal Execution Department on a default of the sale and purchase agreement for liquidated assets of some debtors - the damage amount represented differences between the first bid prices and the final auction prices of such liquidated assets, in which the Bank was the qualified bidder of the said liquidated assets - the disputed amount thereof was Baht 575 million. As of 31 December 2010, the Bank recorded Baht 575 million in payables to the Legal Execution Department for such disputed amount in its financial statements. In addition, it also recognized the portion of its shares in the payment receivables from such debt into the bankruptcy estate that holds the debtor's collateralization assets, by a reversal of loss from impairment of investments in claims amounting to Baht 278 million, and already set the relevant reserve amount against the potential damage that it might suffer from this case in its 2011 financial statements.

As of 31 December 2013, the dispute with the Legal Execution Department was at the stage at which actions were being processed by the Official Receiver's Office acting as per the resolution of the meeting of the creditor committee which resolved the approval for the Bank to sign an acknowledgment of debt obligation agreement or an acknowledgment of liability with the Official Receiver and to deposit with the Official Receiver a sum of Baht 575,380,000 in government bonds to have the Official Receiver discontinue the lawsuit process for the claim of the damages amount. Thereafter, the Official Receiver shall make its adjudication on the said damages amount which represented differences between the first bid prices and the final auction prices of such liquidated assets, and shall either allow the Bank to claim the amount of the said differences as a preferential creditor with whom the assets is deposited as a pledge or to place the said differences to the bankruptcy estate that holds the collateralization assets of such insolvent debtors for proportionate distributions of such estate amount to the court approved creditors. In view of the Bank's management, the amount in dispute in this litigation, at present has no material impact on the Bank's operation.

In 2011, one of the Bank's subsidiaries, the KKTRADE Securities Company Limited, was a defendant in a civil fraud case, together with other defendants, for the claim amount of Baht 223 million. On 30 November 2011, the case was dismissed by the Court of First Instance. The case was appealed to the higher court, and presently is in judicial procedures in the Court of Appeals. In view of the Bank's management, the amount in dispute in this litigation, at present has no material impact on the operations of the Bank and its subsidiaries.

As of year end 2013, none of the Bank's subsidiaries had any additional legal disputes.

## Related Party Transactions

In 2012 and 2013, the Banks performed related party transactions, which were transacted to support its normal course of business operations. The Bank also maintains the prescribed procedures governing related party transactions that are in accordance with the guidelines set forth by the



Securities and Exchange Commission of Thailand. These related party transactions do not lead to any conflicts of interest and are disclosed in the Notes to Financial Statements No. 6.34

#### Measures or procedures governing approval of related party transactions

The Bank pays attention towards protections against any circumstances that threaten to give rise to any conflicts of interest. When considering entering into any related party transactions with any party or person that may have any

potential conflicts of interest, such transaction shall be considered by the Bank on a similar basis as, and no less favorable to any other transaction undertaken with any unrelated third-party. It also prescribes that its directors and executives who have special interest in any particular transaction shall not be entitled to cast their vote on the approval thereof.

#### Related Transaction with parties or persons that may have had any potential conflicts of interest

In 2011 - 2013, the Bank had the following related transactions with parties or persons as follows;

Name	Relationship	Transaction	Value (Baht million)			Reasons and Necessities
			2011	2012	2013	
1. Chotthanawat Company Limited	the entity in which the Bank's executives and related persons own shares/ have controlling power or can materially exercise its influence, or own up to 99.96% shares	The Bank rent spaces for warehousing the cars that it repossessed, sized or foreclosed.	8.9	8.9	9.7	The Bank has paid the rent and service fee for warehousing repossessed cars since 2004. The rent and service fees charged are comparable to market conditions.
2. Directors/ Key executives/ related persons	Directors/Key executives/related persons	<ul style="list-style-type: none"> <li>Interest expense</li> <li>Deposits</li> <li>Borrowings</li> <li>Loans</li> </ul>	9.1 267.4 42.8 -	8.1 422.9 28.1 94.3	14.2 476.5 14.3 134.3	Service with the same interest rate as other regular customers
3. Directors / Key executives	Directors/ Key executives	Brokerage Fee of securities trading	1.2	1.9	19.5	KKTRADE provides brokerage service at the same commission rate as other regular customers

Note : Details are stated in the Notes to Financial Statements No.7.32 for the year 2011 and No. 7.34 for the year 2012, and No. 6.34 for the year 2013

- **Credit, deposits, and contingencies**

Outstanding loans and credit, deposits, and contingencies between the Bank and its directors, key executives, related persons, or between the Bank and the entities in which its directors, key executives, related persons owning the aggregated equity shares in excess of 10% of the total paid-in capital.

- **Significant accounting transactions**

The Bank uses the market rate in its valuation methodology of related party transactions which is a condition generally applied in the normal course of business, or applies the following conditions relevantly prescribed in the contracts which govern additional transactions that the Bank undertook with its subsidiaries and associated companies.

#### **Policy and outlook for future related party transactions**

It is not the Banks and its subsidiaries' policy to encourage the transacting of related party transactions with any party or persons that may have any potential conflicts of interest, unless such transactions are those which occur in their normal course of business operations. In that regard such related party transactions shall maintain their pricing or terms which are no different from those transacted between the Bank and any unrelated third-party. The Bank and its subsidiaries shall regularly review their related party transactions on a quarterly basis and duly report any irregularities to the Audit Committee.

#### **Reasons behind the holding of the Bank and its subsidiaries' shares in excess of 10% by a person that may have potential conflicts, instead of direct holdings**

It is not the Bank's policy to have a person that may have potential conflicts hold shares in its subsidiaries on behalf of the Bank.

## Report of the Board of Directors' Responsibility for Financial Statements

The Board of Directors is accountable for the consolidated financial statements and its subsidiaries as well as other financial information as presented in the annual report. The financial statements have been prepared in accordance with Thai Financial Reporting Standards. The Bank has chosen appropriate accounting policies applied on a conservative and consistent basis, using the best estimations where necessary and adequate disclosures have been made in the notes to the financial statements. All the disclosures and implementation of financial statements are in accordance with laws and regulations of the Bank of Thailand, the Securities and Exchange Commission Thailand, and the Stock Exchange of Thailand. In addition, these financial statements have been audited by independent auditors who have given their unqualified opinion. Therefore, the financial statements present fairly, in all material respects, the financial position and performances of the Bank and its subsidiaries in the past year, which has been correct, transparent, and useful to shareholders and all investors.

The Board of Directors has adopted and maintained an appropriate and effective system of risk management, internal control, internal audit, and compliance to ensure that all accounting records are accurate, complete, and sufficient. These systems facilitate the Bank in maintaining all of its assets as well as to prevent any damages from other significant irregularities in the operations of the Bank.

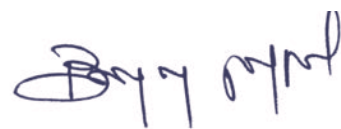
In this respect, the Board of Directors has appointed the Audit Committee consisting of independent directors to be responsible for these following duties: assuring the accuracy and sufficiency of the Bank's financial reports, overseeing and cross-examining the Bank's internal control system as well as its internal audit, and reviewing all disclosures of the Bank's related transactions or conflicts of interest for their most accuracy and completeness. The opinion of the Audit Committee related to these matters is merely stated in the Report of the Audit Committee section in the annual report and the annual registration report (Form 56-1).

The Board of Directors is of the opinion that the overall internal control system of the Bank is sufficient, well-managed, and in satisfactory that may provide a reasonable confidence in the reliability to the financial statements, the consolidated financial statements of the Bank and its subsidiaries for the accounting year ending December 31, 2013.



(Mr. Supol Wattanavekin)

Chairman of the Board of Directors



(Mr. Banyong Pongpanich)

Chief Executive Officer

## REPORT OF THE INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

### TO THE SHAREHOLDERS AND BOARD OF DIRECTORS KIATNAKIN BANK PUBLIC COMPANY LIMITED

We have audited the consolidated financial statements of Kiatnakin Bank Public Company Limited and subsidiaries and the Bank's financial statements of Kiatnakin Bank Public Company Limited, which comprise the consolidated and Bank's statements of financial position as at December 31, 2013, and the related consolidated and Bank's statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Thai Financial Reporting Standards, 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.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Thai Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the aforementioned consolidated and Bank's financial statements present fairly, in all material respects, the financial position of Kiatnakin Bank Public Company Limited and subsidiaries and of Kiatnakin Bank Public Company Limited as at December 31, 2013, and financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.



**Chavala Tienpasertkij**

Certified Public Accountant (Thailand)

Registration No. 4301

**BANGKOK**

February 24, 2014

**DELOITTE TOUCHE TOHMATSU JAIYOS AUDIT CO., LTD.**

# KIATNAKIN BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

## STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2013

UNIT : THOUSAND BAHT

		CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
		As at December 31, 2013	As at December 31, 2012	As at December 31, 2013	As at December 31, 2012
		Notes			
ASSETS					
Cash		1,230,769	1,392,284	1,229,487	1,391,033
Interbank and money market items, net	6.2	9,728,606	7,525,276	6,255,659	6,204,511
Derivatives assets	6.3	373,561	87,585	291,297	81,948
Investments in securities, net	6.4	26,970,711	37,623,838	18,095,077	27,472,291
Investments in subsidiaries, net	6.5	-	-	13,968,910	14,737,870
Investments in receivables, net	6.6	3,884,705	4,726,345	1,179,317	1,642,641
Investments in properties, net		57,300	77,746	-	-
Loans and accrued interest receivables, net	6.7				
Loans		213,404,498	190,260,441	215,204,498	191,110,441
Securities business receivables		614,483	606,437	-	-
Accrued interest receivables		1,250,012	1,010,596	1,254,563	1,008,073
Total loans and accrued interest receivables		215,268,993	191,877,474	216,459,061	192,118,514
<u>Less</u> Deferred revenue		(23,215,481)	(21,872,843)	(23,215,481)	(21,872,843)
<u>Less</u> Allowance for doubtful accounts	6.9	(7,251,648)	(6,143,902)	(7,245,249)	(6,137,503)
<u>Less</u> Allowance for troubled debt restructuring	6.11	(23,415)	(27,789)	(23,415)	(27,789)
Net loans and accrued interest receivables		184,778,449	163,832,940	185,974,916	164,080,379
Properties foreclosed, net	6.12	4,102,669	4,979,625	4,155,546	5,203,186
Land, premises and equipment, net	6.13	1,223,427	1,369,832	734,211	885,803
Other intangible assets, net	6.14	425,028	325,486	363,811	279,862
Goodwill	6.14	3,085,607	3,085,290	-	-
Deferred tax assets	6.15	720,745	618,666	712,351	594,291
Securities and derivative business receivables		10,207,069	4,818,085	-	-
Accounts receivable from clearing house		460,995	756,716	-	-
Other assets, net	6.16	1,859,483	1,792,966	1,334,651	1,357,664
<b>Total assets</b>		249,109,124	233,012,680	234,295,233	223,931,479

The notes to the financial statements form an integral part of these statements



# KIATNAKIN BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

## STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT DECEMBER 31, 2013

UNIT : THOUSAND BAHT

UNIT : THOUSAND BATH

		CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
		As at December 31, 2013	As at December 31, 2012	As at December 31, 2013	As at December 31, 2012
	Notes				
LIABILITIES AND EQUITY					
Deposits	6.17	145,996,498	153,027,238	146,124,737	153,531,709
Interbank and money market items, net	6.18	6,656,021	5,468,407	6,745,691	5,612,752
Liabilities payable on demand		414,296	374,595	414,296	374,595
Derivatives liabilities	6.3	634,115	7,931	252,598	-
Debt issued and borrowings	6.19	42,569,029	29,123,336	40,836,370	27,458,975
Provisions	6.20	374,709	327,599	240,343	214,194
Deferred tax liabilities	6.21	126,893	163,329	-	-
Accounts payable to clearing house		1,050,733	149,364	-	-
Securities and derivative business payables		8,886,919	4,757,450	-	-
Accrued interest expenses		1,059,165	834,779	1,069,217	855,507
Other accounts payable	6.22	1,910,219	1,962,853	1,821,473	1,738,562
Legal Execution Department payable	6.23	575,380	575,380	575,380	575,380
Income tax payable and specific business tax payable		526,922	376,285	386,167	279,815
Other liabilities	6.24	3,183,804	2,666,576	2,487,844	2,238,304
Total liabilities		213,964,703	199,815,122	200,954,116	192,879,793

# KIATNAKIN BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

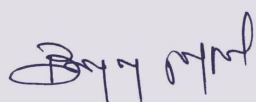
## STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT DECEMBER 31, 2013

UNIT : THOUSAND BAHT

		CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	Notes	As at December 31, 2013	As at December 31, 2012	As at December 31, 2013	As at December 31, 2012
LIABILITIES AND EQUITY (CONTINUED)					
EQUITY					
Share capital	6.25				
Authorized share capital					
852,337,268 ordinary shares of Baht 10 each					
(December 31, 2012 : 852,337,268 shares of Baht 10 each)		8,523,373	8,523,373	8,523,373	8,523,373
Issued and paid-up share capital					
838,833,109 ordinary shares of Baht 10 each					
(December 31, 2012 : 832,831,859 shares of Baht 10 each)		8,388,331	8,328,319	8,388,331	8,328,319
Premium on share capital		9,203,653	9,088,009	9,203,653	9,088,009
Other reserves	6.29	580,178	1,121,989	184,411	295,871
Retained earnings					
Appropriated					
Legal reserve	6.27	852,337	782,332	852,337	782,332
Others		380	380	380	380
Unappropriated		15,919,050	13,577,141	14,712,005	12,556,775
Total equity of the Bank		34,943,929	32,898,170	33,341,117	31,051,686
Non-controlling interest		200,492	299,388	-	-
Total equity		35,144,421	33,197,558	33,341,117	31,051,686
Total liabilities and equity		249,109,124	233,012,680	234,295,233	223,931,479

The notes to the financial statements form an integral part of these statements



(Mr. Banyong Pongpanich)

Chief Executive Officer




(Mr. Aphinant Klewpatinond)

President

# KIATNAKIN BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2013

UNIT : THOUSAND BAHT

	Notes	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
		2013	2012	2013	2012
Interest income	6.38	15,808,672	14,451,703	15,197,930	13,596,824
Interest expenses	6.39	7,461,695	7,338,953	7,404,153	7,412,225
Interest income, net		8,346,977	7,112,750	7,793,777	6,184,599
Fees and services income		4,838,173	2,572,765	1,750,306	1,551,126
Fees and services expenses		480,966	292,147	162,768	150,271
Fees and services income, net	6.40	4,357,207	2,280,618	1,587,538	1,400,855
Gain (loss) on trading and foreign exchange transactions, net	6.41	442,681	225,865	(48,945)	15,223
Gain on investments, net	6.42	636,768	443,304	324,416	219,550
Gain (loss) from sale of foreclosed assets		(54,709)	1,223,813	(634,188)	447,983
Dividend income		205,659	22,567	2,299,707	632,351
Other operating income	6.43	275,973	208,714	246,491	184,967
Total operating income		14,210,556	11,517,631	11,568,796	9,085,528
Other operating expenses					
Employee's expenses		4,030,520	3,034,642	2,536,991	2,317,426
Directors' remuneration		18,333	18,967	17,833	14,964
Premises and equipment expenses		1,125,825	1,026,197	887,539	886,473
Taxes and duties		347,337	288,136	337,856	284,758
Loss from revaluation of foreclosed assets (reversal)		(299,224)	85,987	(285,264)	86,345
Other expenses	6.44	1,356,692	1,475,500	1,114,068	1,344,570
Total other operating expenses		6,579,483	5,929,429	4,609,023	4,934,536
Impairment loss of loans and debt securities	6.45	2,240,155	1,554,971	2,243,142	1,566,616
Profit from operating before income tax expenses		5,390,918	4,033,231	4,716,631	2,584,376
Income tax expenses	6.46	951,043	605,446	493,807	444,951
<b>Net profit</b>		<b>4,439,875</b>	<b>3,427,785</b>	<b>4,222,824</b>	<b>2,139,425</b>

# KIATNAKIN BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

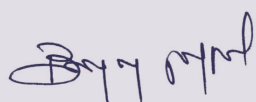
## STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2013

UNIT : THOUSAND BAHT

	Notes	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
		2013	2012	2013	2012
Other comprehensive income	6.47				
Gain (loss) on remeasuring investments in receivables		14,240	(67,273)	(19,149)	(2,298)
Gain (loss) on remeasuring available-for-sale securities		(687,362)	81,446	(120,181)	73,644
Income tax relating to components of other comprehensive income		137,138	(40,733)	27,870	(14,273)
		(535,984)	(26,560)	(111,460)	57,073
Actuarial gain (loss) on defined benefit plan		(2,057)	15,814	8,802	-
Income tax relating to components of other comprehensive income		411	(3,163)	(1,760)	-
		(1,646)	12,651	7,042	-
Total other comprehensive income		(537,630)	(13,909)	(104,418)	57,073
<b>Total comprehensive income</b>		<b>3,902,245</b>	<b>3,413,876</b>	<b>4,118,406</b>	<b>2,196,498</b>
Net profit attributable to:					
Equity holders of the Bank		4,418,191	3,391,287	4,222,824	2,139,425
Non-controlling interest		21,684	36,498	-	-
Total comprehensive income attributable to:					
Equity holders of the Bank		3,878,818	3,375,257	4,118,406	2,196,498
Non-controlling interest		23,427	38,619	-	-
<b>Earnings per share of Equity holders of the Bank</b>					
Basic earnings per share (Baht)	6.32	5.29	4.88	5.05	3.08
Diluted earnings per share (Baht)	6.32	5.25	4.85	5.02	3.06

The notes to the financial statements form an integral part of these statements



(Mr. Banyong Pongpanich)

Chief Executive Officer




(Mr. Aphinant Klewpatinond)

President

# KIATNAKIN BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2013

UNIT : THOUSAND BAHT

### CONSOLIDATED FINANCIAL STATEMENTS

	Notes	Equity attributable to the Bank's shareholders										Non-controlling interests	Total
		Issued and paid-up share capital	Premium on share capital	Revaluation Surplus (Deficit) on investments in receivables	Revaluation Surplus (Deficit) on available-for-sale securities	Other reserves	Deferred tax relating to components of other comprehensive income	Surplus on business combination under common control	Appropriated retained earnings	Legal reserve	Others	Unappropriated retained earnings	Total equity attributable to the Bank's shareholders
<b>Opening balances as at January 1, 2012</b>		6,343,289	3,715,267	1,058,873	151,510	151,510	(59,700)	-	722,846	-	380	11,952,624	23,885,089
Dividend paid	6.28	-	-	-	-	-	-	-	-	-	-	(1,719,935)	(1,719,935)
Legal reserve	6.27	-	-	-	-	-	-	-	59,486	-	-	(59,486)	-
Increase in ordinary shares	6.25	1,985,030	5,372,742	-	-	-	-	-	-	-	-	-	7,357,772
Total comprehensive income	6.29	-	-	(69,312)	79,568	79,568	(38,937)	-	-	-	-	3,403,938	3,375,257
Surplus on business combination under common control		-	-	-	-	-	-	(13)	-	-	-	-	(13)
Decrease in non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	(118,366)
<b>Closing balances as at December 31, 2012</b>		8,328,319	9,088,009	989,561	231,078	231,078	(98,637)	(13)	782,332	-	380	13,577,141	32,898,170
<b>Opening balances as at January 1, 2013</b>		8,328,319	9,088,009	989,561	231,078	231,078	(98,637)	(13)	782,332	-	380	13,577,141	32,898,170
Dividend paid	6.28	-	-	-	-	-	-	-	-	-	-	(2,004,631)	(2,004,631)
Legal reserve	6.27	-	-	-	-	-	-	-	70,005	-	-	(70,005)	-
Increase in ordinary shares	6.25	60,012	115,644	-	-	-	-	-	-	-	-	-	175,656
Total comprehensive income	6.29	-	-	12,356	(661,661)	(661,661)	111,578	-	-	-	-	4,416,545	3,878,818
Surplus on business combination under common control		-	-	-	-	-	-	(4,084)	-	-	-	-	(4,084)
Decrease in non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	(122,323)
<b>Closing balances as at December 31, 2013</b>		8,388,331	9,203,653	1,001,917	(430,583)	(430,583)	12,941	(4,097)	852,337	-	380	15,919,050	34,943,929
												200,492	35,144,421

The notes to the financial statements form an integral part of these statements



# KIATNAKIN BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

## STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2013

UNIT : THOUSAND BAHT

## THE BANK'S FINANCIAL STATEMENTS

Notes	Issued and paid-up share capital	Premium on share capital	Other reserves				Appropriated retained earnings		Unappropriated retained earnings	Total
			Revaluation Surplus (Deficit) on investments in receivables	Revaluation Surplus (Deficit) on available-for-sale securities	Deferred tax relating to components of other comprehensive income	Legal reserve	Others			
Opening balances as at January 1, 2012	6,343,289	3,715,267	152,725	145,772	(59,699)	722,846	380		12,196,771	23,217,351
Dividend paid	-	-	-	-	-	-	-		(1,719,935)	(1,719,935)
Legal reserve	-	-	-	-	-	59,486	-		(59,486)	-
Increase in ordinary shares	1,985,030	5,372,742	-	-	-	-	-		-	7,357,772
Total comprehensive income	-	-	(2,298)	73,644	(14,273)	-	-		2,139,425	2,196,498
Closing balances as at December 31, 2012	8,328,319	9,088,009	150,427	219,416	(73,972)	782,332	380		12,556,775	31,051,686
Opening balances as at January 1, 2013	8,328,319	9,088,009	150,427	219,416	(73,972)	782,332	380		12,556,775	31,051,686
Dividend paid	-	-	-	-	-	-	-		(2,004,631)	(2,004,631)
Legal reserve	-	-	-	-	-	70,005	-		(70,005)	-
Increase in ordinary shares	60,012	115,644	-	-	-	-	-		-	175,656
Total comprehensive income	-	-	(19,149)	(120,181)	27,870	-	-		4,229,866	4,118,406
Closing balances as at December 31, 2013	8,388,331	9,203,653	131,278	99,235	(46,102)	852,337	380		14,712,005	33,341,117

Condensed notes to the financial statements from an integral part of these financial statements



(Mr. Banyong Pongpanich)  
Chief Executive Officer



(Mr. Aphinant Kiewpatinond)  
President



# KIATNAKIN BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2013

UNIT : THOUSAND BAHT

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2013	2012	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit from operating before income tax expenses	5,390,918	4,033,231	4,716,631	2,584,376
Adjustments to reconcile profit from operating before income tax expenses to cash received (paid) from operating activities				
Depreciation	370,358	350,361	280,841	308,795
Amortization	105,404	110,628	83,538	97,423
Amortization of discount on investments in securities	(33,118)	(391,998)	(33,118)	(393,695)
Bad debt and doubtful accounts	2,485,717	1,754,727	2,485,717	1,755,566
Loss on troubled debt restructuring	3,003	1,724	3,003	1,724
(Gain) loss on impairment of investments in receivables	47,998	(919)	50,985	9,887
Gain from transferring investments in receivables to loans	(35,654)	(6,284)	(35,654)	(6,284)
Unrealized loss on foreign exchange	6,672	291,218	6,672	291,218
Loss on diminution in value of securities (reversal)	516,646	(26,336)	(128,266)	(156,541)
Loss on diminution in value of properties foreclosed (reversal)	(299,224)	85,987	(285,264)	86,345
Loss on impairment of other assets (reversal)	(10,720)	3,108	1,909	3,336
(Gain) loss on disposal of investment in securities	(553,346)	(323,867)	(61,685)	69,001
Loss on disposal of receivables on loan	-	57,672	-	57,672
Gain on disposal of equipment	(24,436)	(7,199)	(23,749)	(5,000)
Loss on write-off of equipment	721	13,788	630	12,595
Net interest income	(8,346,977)	(7,112,750)	(7,793,777)	(6,184,599)
Dividend income	(205,659)	(22,567)	(2,299,707)	(632,351)
Proceeds from interest income	15,581,083	14,183,297	14,812,294	13,324,460
Interest paid	(7,237,211)	(7,380,216)	(7,190,345)	(7,449,635)
Dividend received	204,479	39,896	1,346	19,288
Cash paid for corporate income tax	(617,808)	(256,011)	(491,858)	(183,932)
Increase in provision expenses	23,862	16,632	13,876	26,956
Increase (decrease) in specific business tax payable	2,404	(1,685)	1,379	(1,467)
Increase in accrued expenses	360,669	601,390	200,580	343,880
Profit from operating before changes in operating assets and liabilities	7,735,781	6,013,827	4,315,978	3,979,018
(Increase) decrease in operating assets				
Interbank and money market items	(3,653,123)	9,504,043	(55,176)	9,374,624
Derivatives assets	(267,681)	(997)	(191,055)	-
Investments in trading and available-for-sale securities	8,270,397	(6,501,311)	7,574,857	(532,702)
Investments in receivables	505,906	462,983	91,215	50,734
Investment in properties	33,075	-	-	-
Loans and receivables	(26,999,543)	(36,085,413)	(27,615,668)	(36,639,606)
Properties foreclosed	5,320,349	3,584,394	5,430,373	3,198,141
Securities and derivative business receivables	(5,388,984)	(150,681)	-	-
Accounts receivable from clearing house	295,721	(446,779)	-	-
Other assets	(273,085)	(340,147)	156,269	(295,089)

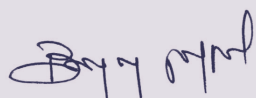
# KIATNAKIN BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

## STATEMENT OF CASH FLOWS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2013

UNIT : THOUSAND BAHT

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2013	2012	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)</b>				
Increase (decrease) in operating liabilities				
Deposits	(7,030,740)	83,987,657	(7,406,972)	84,000,825
Interbank and money market items	1,187,614	248,025	1,132,939	363,880
Liabilities payable on demand	39,701	142,756	39,701	142,756
Derivatives liabilities	576,179	(474)	202,594	-
Short-term borrowings	(5,299,060)	(56,181,846)	(5,499,060)	(56,711,846)
Accounts payable to clearing house	901,369	(416,414)	-	-
Securities and derivative business payables	4,129,469	857,891	-	-
Other payables	(49,966)	406,407	85,826	372,420
Other liabilities	177,633	112,436	(13,599)	87,268
Net cash from operating activities	(19,788,988)	5,196,357	(21,751,778)	7,390,423
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Cash paid for long term investments in securities	(5,228,847)	(602,940)	(4,247,000)	(484,155)
Proceeds from investments in securities	7,010,899	515,251	5,994,003	155
Cash paid for units subscription of subsidiaries	-	-	-	(8,900)
Proceeds from sales of subsidiaries	-	-	715,531	156,638
Cash received from capital reduction of subsidiaries	-	-	47,976	823,126
Cash received from business combination	-	1,095,254	-	-
Cash paid to minority shareholder for purchase of additional shares of subsidiary	-	(63,038)	(3,017)	(63,038)
Dividend received from subsidiaries	-	-	2,298,361	616,428
Cash paid for building improvement and equipment	(228,644)	(406,954)	(132,795)	(348,889)
Proceeds from sales of equipment	25,673	7,547	23,749	5,220
Purchases of intangible assets	(191,834)	(113,899)	(154,056)	(105,360)
Net cash from investing activities	1,387,247	431,221	4,542,752	591,225
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from increase in share capital	175,656	190,936	175,656	190,936
Proceeds from issuance of debentures	34,841,475	18,225,688	25,690,455	21,594,700
Cash paid for redemption of debentures	(16,096,722)	(20,296,700)	(6,814,000)	(27,036,700)
Dividend paid	(2,004,631)	(1,719,935)	(2,004,631)	(1,719,935)
Dividend paid to minority interest	(93,619)	(3,884)	-	-
Decrease in share capital of minority shareholders in subsidiaries	(27,698)	(84,107)	-	-
Net cash from financing activities	16,794,461	(3,688,002)	17,047,480	(6,970,999)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,607,280)</b>	<b>1,939,576</b>	<b>(161,546)</b>	<b>1,010,649</b>
<b>Cash and cash equivalents as at January 1,</b>	<b>2,838,049</b>	<b>898,473</b>	<b>1,391,033</b>	<b>380,384</b>
<b>Cash and cash equivalents as at December 31,</b>	<b>1,230,769</b>	<b>2,838,049</b>	<b>1,229,487</b>	<b>1,391,033</b>

The notes to the financial statements form an integral part of these statements



(Mr. Banyong Pongpanich)  
Chief Executive Officer




(Mr. Aphinant Klewpatinond)  
President

# KIATNAKIN BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

### 1. GENERAL

Kiatnakin Bank Public Company Limited ("the Bank") was incorporated in Thailand. Its head office is located at 500 Amarin Tower, Ploenchit Road, Lumpini, Pathumwan, Bangkok. The Bank provides banking business through its branches network in Thailand. As at December 31, 2013 and December 31, 2012, the Bank has 13 subsidiaries and funds ("subsidiaries") respectively as follows;

- 1.1 Phatra Capital Public Company Limited, incorporated in Thailand since April 1, 2010 and located at 9<sup>th</sup> floor, Muang Thai-Phatra Office Tower 1, 252/6 Ratchadapisek Road, Huaykwang, Bangkok. The subsidiary's main business is holding company. The entity became the Bank's subsidiary on September 11, 2012 (see Note 6.5.1).
- 1.2 Phatra Securities Public Company Limited, which is held by Phatra Capital Public Company Limited, incorporated in Thailand since February 9, 1972 and located at 6<sup>th</sup>, 8<sup>th</sup> - 11<sup>th</sup> floor, Muang Thai-Phatra Office Tower 1, 252/6 Ratchadapisek Road, Huaykwang, Bangkok. The subsidiary's main business is securities business. The entity became the Bank's subsidiary on September 11, 2012 (see Note 6.5.1).
- 1.3 KKTRADE Securities Company Limited formerly named "Kiatnakin Securities Company Limited" (see Note 6.5.5), incorporated in Thailand since October 27, 1998 and located at 7<sup>th</sup> floor, Amarin Tower, 500 Ploenchit Road, Lumpini, Pathumwan, Bangkok. The subsidiary's main business is securities business. From January 2, 2013 KKTRADE Securities Company Limited's shares are held by Phatra Capital Public Company Limited (see Note 6.5.4).
- 1.4 Phatra Asset Management Company Limited formerly named Kiatnakin Fund Management Company Limited (see Note 6.5.5), incorporated in Thailand since January 23, 2004 and located at 25<sup>th</sup> floor, Muang Thai-Phatra Complex Building Tower B, 252/122 Ratchadapisek Road, Huaykwang, Bangkok. The subsidiary's main business is mutual fund and individual private fund management. From December 28, 2012 Phatra Asset Management Company Limited's shares are held by Phatra Capital Public Company Limited (see Note 6.5.2).
- 1.5 Erawan Law Office Company Limited, incorporated in Thailand since January 5, 2009 and located at 12<sup>th</sup> floor, K Tower B, 209/1 Sukhumvit 21 (Asoke), Khlong Toey Nua, Wattana, Bangkok. The subsidiary's main business is legal and consulting services.
- 1.6 The Asia Recovery 1 Fund, incorporated in Thailand since March 2, 1999 and located at One Assets Management Limited, 24<sup>th</sup> floor, Siam Tower, 989 Rama 1 Road, Pathumwan, Bangkok. The subsidiary's main business is to invest in rights of claims which are business loans of financial institutions.<sup>(1)</sup>

- 1.7 The Asia Recovery 2 Fund, incorporated in Thailand since April 27, 1999 and located at One Assets Management Limited, 24<sup>th</sup> floor, Siam Tower, 989 Rama 1 Road, Pathumwan, Bangkok. The subsidiary's main business is to invest in rights of claims which are business loans of financial institutions.<sup>(1)</sup>
- 1.8 The Asia Recovery 3 Fund, incorporated in Thailand since November 30, 1999 and located at One Assets Management Limited, 24<sup>th</sup> floor, Siam Tower, 989 Rama 1 Road, Pathumwan, Bangkok. The subsidiary's main business is to invest in rights of claims which are business or other loans of financial institutions.<sup>(1)</sup>
- 1.9 Thai Restructuring Fund, incorporated in Thailand since September 30, 1999 and located at One Assets Management Limited, 24<sup>th</sup> floor, Siam Tower, 989 Rama 1 Road, Pathumwan, Bangkok. The subsidiary's main business is to invest in property or rights of claims.
- 1.10 Asia Recovery Property Fund 1, incorporated in Thailand since August 22, 2001 and located at One Assets Management Limited, 24<sup>th</sup> floor, Siam Tower, 989 Rama 1 Road, Pathumwan, Bangkok. The subsidiary's main business is to invest in real estate property and/or rights of claims with property as collateral.
- 1.11 Asia Recovery Property Fund 3, incorporated in Thailand since August 1, 2001 and located at One Assets Management Limited, 24<sup>th</sup> floor, Siam Tower, 989 Rama 1 Road, Pathumwan, Bangkok. The subsidiary's main business is to invest in real estate property and/or rights of claims with property as collateral.
- 1.12 Bangkok Capital Fund, incorporated in Thailand since April 30, 1999 and located at One Assets Management Limited, 24<sup>th</sup> floor, Siam Tower, 989 Rama 1 Road, Pathumwan, Bangkok. The subsidiary's main business is to invest primarily in distressed commercial loans in Thailand.
- 1.13 Gamma Capital Fund, incorporated in Thailand since April 30, 1999 and located at One Assets Management Limited, 24<sup>th</sup> floor, Siam Tower, 989 Rama 1 Road, Pathumwan, Bangkok. The subsidiary's main business is to invest primarily in distressed commercial loans in Thailand.

<sup>(1)</sup> The unitholders of Asia Recovery 1 Fund, Asia Recovery 2 Fund, and Asia Recovery 3 Fund approved for the change in fund manager and registrar from Kasikorn Asset Management Company Limited to One Asset Management Company Limited effective from April 1, 2013 onwards.

## 2. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS AND BASIS FOR PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.1 Basis for Preparation of the Financial Statements

The consolidated and the Bank's financial statements are prepared in accordance with the regulation of the Stock Exchange of Thailand dated January 22, 2001, regarding the Preparation and Filing of Financial Statements and Reports on Financial Status and Results of Operations of Listed Companies, B.E. 2001, where the form of financial statements is based on Thai Account Standard No. 1 (Revised 2009) Presentation of Financial Statements, including the Procedures, Policies and Presentation in accordance with the Bank of Thailand ("BOT") Notification regarding the Preparation and Announcement of Financial Statements of Commercial Banks and Holding Companies of Financial Industry dated December 3, 2010.

The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies.

The Bank maintains its accounting records in Thai Baht and prepares its statutory financial statements in the Thai language. The financial statements are prepared in accordance with Thai Financial Reporting Standards and the Bank of Thailand's guidelines.

#### **Adoption of new and revised Thai Financial Reporting Standards**

Since January 1, 2013, the Bank and its subsidiaries has adopted the new and revised Thai Financial Reporting Standards issued by the Federation of Accounting Professions, which are effective for the financial statements for the accounting periods beginning on or after January 1, 2013 onwards, in the preparation of financial statements as follows:

#### **Thai Accounting Standards (TAS)**

TAS 21 (Revised 2009)      The Effects of Changes in Foreign Exchange Rates

#### **Thai Financial Reporting Standard (TFRS)**

TFRS 8                      Operating Segments

#### **Guideline on Accounting**

Guideline on Accounting regarding Transferring and Accepting Transfer of Financial Assets

#### **New and revised Thai Financial Reporting Standards issued but not yet effective**

1) Thai Accounting Standard (TAS), Thai Financial Reporting Standard (TFRS), Thai Accounting Standard Interpretation (TSI) and Thai Financial Reporting Interpretation (TFRI) which are effective for the financial statements for the periods beginning on or after January 1, 2014:

#### **Thai Accounting Standard (TAS)**

TAS 1 (Revised 2012)      Presentation of Financial Statements

TAS 7 (Revised 2012)      Statement of Cash Flows

TAS 12 (Revised 2012)      Income Taxes

TAS 17 (Revised 2012)      Leases

TAS 18 (Revised 2012)      Revenue

TAS 19 (Revised 2012)      Employee Benefits

TAS 21 (Revised 2012)      The Effects of Changes in Foreign Exchange Rates

TAS 24 (Revised 2012)      Related Party Disclosures

TAS 28 (Revised 2012)      Investments in Associates

TAS 31 (Revised 2012)      Interests in Joint Ventures

TAS 34 (Revised 2012)      Interim Financial Reporting

TAS 36 (Revised 2012)      Impairment of Assets

TAS 38 (Revised 2012)      Intangible Assets



**The Financial Reporting Standard (TFRS)**

TFRS 2 (Revised 2012) Share-based Payment

TFRS 3 (Revised 2012) Business Combinations

TFRS 5 (Revised 2012) Non-current Assets Held for Sale and Discontinued Operations

TFRS 8 (Revised 2012) Operating Segments

**Thai Accounting Standard Interpretation (TSI)**

TSI 15 Operating Leases — Incentives

TSI 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease

TSI 29 Disclosure - Service Concession Arrangements

TSI 32 Intangible Assets - Web Site Costs

**Thai Financial Reporting Interpretations (TFRI)**

TFRI 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities

TFRI 4 Determining Whether an Arrangement Contains a Lease

TFRI 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

TFRI 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies

TFRI 10 Interim Financial Reporting and Impairment

TFRI 12 Service Concession Arrangements

TFRI 13 Customer Loyalty Programmes

TFRI 17 Distributions of Non-cash Assets to Owners

TFRI 18 Transfer of Assets From Customers

2) TFRS which is effective for the financial statements for the periods beginning on or after January 1, 2016:

**The Financial Reporting Standard (TFRS)**

TFRS 4 Insurance contract

The management of the Bank and its subsidiaries anticipate that the above financial reporting standards relevant to the Bank and its subsidiaries will be adopted in the Bank and its subsidiaries' financial statements when they become effective and the adoption of those standards will have no material impact on the financial statements of the Bank and its subsidiaries in the first period of application.

## 2.2 Basis for Preparation of the Consolidated Financial Statements

The consolidated financial statements include the accounts of the head office and all branches of the Bank and its subsidiaries where the Bank has a controlling interest. Significant related party transactions and balances have been eliminated. The subsidiaries which were incorporated in Thailand are as follows;

	Type of Business	Ownership Interest (%)	
		As at December 31, 2013	As at December 31, 2012
Phatra Capital PCL.	Holding Company	99.97	99.93
Phatra Securities PCL.	Securities	99.94 <sup>(2)</sup>	99.68 <sup>(1)</sup>
KKTRADE Securities Co., Ltd.	Securities	99.96 <sup>(3)</sup>	99.99
Phatra Asset Management Co., Ltd.	Fund Management	99.96 <sup>(3)</sup>	99.92 <sup>(3)</sup>
Erawan Law Office Co., Ltd.	Law Office	99.93	99.93
Asia Recovery 1 Fund	Investments	99.95	99.95
Asia Recovery 2 Fund	Investments	99.59	99.59
Asia Recovery 3 Fund	Investments	99.97	99.97
Thai Restructuring Fund	Investments	98.91	98.91
Asia Recovery Property Fund 1	Investments	99.52	99.52
Asia Recovery Property Fund 3	Investments	98.77	98.77
Bangkok Capital Fund	Investments	95.72	95.72
Gamma Capital Fund	Investments	94.03	94.03

<sup>(1)</sup> Indirectly holding via Phatra Capital PCL. of 99.75%

<sup>(2)</sup> Indirectly holding via Phatra Capital PCL. of 99.97%

<sup>(3)</sup> Indirectly holding via Phatra Capital PCL. of 99.99%

## 2.3 Change in accounting estimate

Since January 1, 2013, the Bank changed the accounting method of allowance for doubtful account of fleet car hire-purchase receivables by considering loan classification, the value of collaterals and rate used in determining the allowance for doubtful accounts according to the Bank of Thailand's guidelines which previously the Bank provided allowance for doubtful accounts of hire-purchase receivables by using the collective approach method by considering historical loss experience of the loan which are calculated by the probability of default and the percentage of loss given default and made addition allowance for doubtful account based on loan classification according to the Bank of Thailand's guidelines above. The change has no impact to the allowance for doubtful accounts in accordance with the Bank of Thailand's guideline as at December 31, 2013.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Cash and cash equivalents

Cash and cash equivalents in the Bank's statements of cash flows include cash on hand and cash on collection according to the Bank of Thailand's Notification.

Cash and cash equivalents in the consolidated statements of cash flows include cash on hand and cash on collection of the Bank and current accounts, savings accounts, time deposits maturing within 3 months and without commitments, call notes receivable and term notes receivable maturing within 3 months of subsidiaries.

#### 3.2 Investments in securities

##### 3.2.1 Basis of investment classification

The Bank and its subsidiaries classify investments other than investments in subsidiaries and interest in joint ventures into the following four categories: trading, held-to-maturity, available-for-sale and general investments. The classification depends on the purpose for which the investments were acquired. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis. Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments. Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held-to-maturity. Investments intended to be held for an indefinite period of time, which may be sold in response to liquidity needs or changes in interest rates, are classified as available-for-sale. Investments in non-marketable equity securities are classified as general investments.

##### 3.2.2 Trading and available-for-sale investments

The Bank and its subsidiaries state trading and available-for-sale investments at fair value in the statements of financial position. The fair value of debt securities traded in the established market is based on the quoted prices or yields of the Thai Bond Market Association at the reporting date, or the latest trading date prior to the reporting date if there was no trading on that date of the Thai Bond Market Association. If the debt securities are not traded in the established market, the fair value is calculated by reference to the risk-free yield curve adjusted by an appropriate risk premium. The fair value of equity securities is based on the last bid price quoted by the Stock Exchange of Thailand at the reporting date. The fair value of unit trusts is determined from the net assets value (NAV) published by mutual fund management companies as the fund managers.

Unrealized gain or loss resulting from changes in fair value of trading investments is recognized in the statements of comprehensive income.

Unrealized gain or loss resulting from changes in fair value of available-for-sale investments are reported as a component of equity through other comprehensive income until realized, after which gain or loss on disposal of the investments will be recognized as net gain (loss) on investments.

##### 3.2.3 Held-to-maturity investments

The Bank and its subsidiaries state held-to-maturity investments at amortized cost using the effective yield method in the statements of financial position.

#### 3.2.4 General investments

The Bank and its subsidiaries state general investments at cost less allowance for impairment in value in the statements of financial position.

#### 3.2.5 Investments in subsidiaries

Investments in subsidiaries in the Bank's financial statements are accounted for by the cost method less impairment losses, if any.

Subsidiaries are entities in which the Bank has an interest of more than one half of the voting rights or has power to exercise control over the financial and operating policies. Such subsidiaries are consolidated from the date on which control is transferred to the Bank until the date that control ceases. The purchase method of accounting is used by the Bank and its subsidiaries to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. All intercompany transactions, balances and unrealized gains or losses on transactions between group companies are eliminated; unrealized losses are also eliminated unless cost cannot be recovered. The significant accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Bank. Separate disclosure is made for non-controlling interest in the consolidated statement of financial position and consolidated statement of comprehensive income.

A list of the subsidiaries is set out in Note 1 and Note 2.2

#### 3.2.6 Impairment of investments in securities

Investments in securities of the Bank and its subsidiaries are tested for impairment when there is a factor indicating that an investment in securities might be impaired. If the carrying amount of the investments in securities is higher than its recoverable amount, impairment loss is charged to the statements of comprehensive income.

#### 3.2.7 Gain (loss) from disposal of investments in securities

The Bank and its subsidiaries recognize income of investments in securities when there is disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the statement of comprehensive income.

When a particular investment is partly disposed of, the carrying amount of disposed part is determined by the weighted average method of the carrying amount of the total holding of such investment.

### 3.3 Valuation of investments in receivables

The investments in receivables are the investments in commercial and hire-purchase loans with or without collateral. These commercial and hire-purchase loans have no readily ascertainable market values available and, therefore, are reported at the estimated fair value. Fair value of investments in receivables is determined by the net present value of estimated future cash flows from sales of collateral.

Changes in fair value of investments in receivables is reported in a separate component of equity, except where the Bank and its subsidiaries dispose such investments, the realized gain or loss will be recognized in the statements of comprehensive income.

Investments in receivables of the Bank and its subsidiaries are tested for impairment when there is a factor indicating that an investment in receivables might be impaired. If the carrying value of the investments in receivables is higher than its recoverable amount, impairment loss is charged to the statement of comprehensive income.

For the Bank, where there is a change in terms or contracts through debt restructuring agreements, the investments in receivables will be transferred to loans account to comply through debt restructuring agreements, with the Bank of Thailand's Notification No. Sor Nor Sor. 21/2555 Re: Accounting procedures for financial institution. The Bank will record the transfer at the fair value on the day the transfer occurred. The difference between book value and fair value will be recognized immediately in the statement of comprehensive income. In case where there is a gain, the Bank will take into consideration of the probability of future cash flow to be received.

### **3.4 Valuation of investments in property**

The investments in property are the investments in real estate business of the subsidiaries, which are mutual funds. These investments generally have no readily ascertainable market values available and, therefore, are reported at the lower of cost or fair value. Fair value is calculated from the appraisal value, appraised by an external independent valuer or internal valuer according to the Bank of Thailand's guidelines and discounted by the risk premium according to the holding period.

### **3.5 Loans**

Overdrafts are stated at the principal amounts including interest. Other loans are stated at the principal amount. Unearned discounts received in advance are presented as deduction from the loans.

Hire purchase and finance lease receivables are stated at the contract value of the hire purchase and finance lease receivables net of unearned income, which is presented after netting prepaid commission expenses and initial direct costs at the inception of the contracts.

Securities and derivatives business receivables represent the net securities business receivables and derivatives business receivables. Securities business receivable comprises of the receivable of credit balance accounts for which the securities purchased are used as collateral, and other receivables such as overdue amounts in cash accounts and securities receivables which are under legal proceedings, are undergoing restructuring, or are being settled in installments. The receivable balances of cash accounts are presented under the caption of Securities and derivative business receivables.

### **3.6 Allowance for doubtful accounts**

The Bank classifies its loan portfolios into categories and sets allowance for doubtful accounts for loans in accordance with the Bank of Thailand's Notification dated August 3, 2008 and with the management estimation over the allowance for doubtful accounts from the ending balance of loans. The period of time that a loan is past due and the ability to repay the debt are the principal criteria utilized in classifying a loan. The value of collateral used depends on each type of collateral. The Bank categorizes their loan portfolios into six categories and determines allowance for doubtful accounts subject to different levels of provisioning.

The Bank sets allowance on loan receivables and fleet car hire-purchase receivables classified as substandard, doubtful and doubtful of loss, at the rate of 100% of the difference between outstanding loan value and present value of expected cash flow from receivables or present value of expected cash flow from disposal of the collateralized assets. The discount rate and expected collateral disposal duration is referenced from the BOT's guideline. For receivables classified as normal and special mention, the Bank sets allowance for doubtful account at the rate of 1% and 2% of outstanding loan value net of collateralized assets.

The Bank provides allowance for doubtful accounts on hire-purchase receivables by using the collective approach method which considers from the historical loss suffered by calculating using the probability of default and the percentage of loss given default. Inclusively, the Bank adjusted historical loss data for key domestic and international economic factors which may influence repayment abilities of the receivables. The Bank also sets additional allowance for doubtful accounts from the collective approach to certain classes of receivables in order to be conservative.

The Bank's subsidiaries operating as securities companies have provided for an allowance for doubtful accounts on securities and derivatives business receivables based on management's review and assessment of the status of individual debtor as well as the requirements. Such assessment takes into consideration various factors including the risks involved and the value of collateral. Allowance is made for the estimated losses that might be incurred where the debts are not fully secured and/or there exists a possibility that principal and interest cannot be recovered in full.

For increase or decrease in allowance for doubtful accounts, the Bank and its subsidiaries are recorded as an expense or decrease in expenses during the accounting period.

Bad debts are written off during the period in which they are identified. Bad debts recovery is recorded by reducing bad debts and doubtful accounts expenses in the statements of comprehensive income.

### **3.7 Troubled debt restructuring**

The Bank accounts for troubled debt restructuring in accordance with guidelines approved by the Bank of Thailand. The Bank records the assets or equity securities transferred to the Bank for debt settlements at the lower of fair values of the assets or equity securities, less estimated selling expenses, or the amount of investments in receivables (including non-accrued interest income at the restructuring date).

In cases where the debt restructuring involves modifications to terms of receivables as accepted by the Bank, the fair value of investments in receivables after restructuring is based on the net present value of expected future cash flows discounted using the Minimum Lending Rates (MLR) prevailing at the restructuring date.

The Bank recognize losses arising from debt restructuring by the waiver of loan principal or recorded accrued interest receivables, less recorded allowance, in the statement of comprehensive income when incurred.



The Bank recalculate the fair value of restructured debts based on the aforementioned discount interest rate as of the date of the monthly financial statements and adjust the valuation on debt restructured for any change, in accordance with the BOT's criteria. The valuation adjustment on restructured debt shall not cause the book value of restructured debt to exceed the investment value on restructured debt.

Restructured debt with assets or equity securities transferred for debt repayment either in whole or in part are recorded at the fair value, net of estimated selling expenses, not to exceed the investment value on such debt and the right-to-claim interest income.

For investments in receivables purchased and subsequently restructured, the Bank calculate the fair value of restructured debt as of the restructuring date and recognize the difference between book value and fair value in the statements of comprehensive income for the period and classified investments in receivables as loans in accordance with the BOT's criteria.

Legal fees and other direct costs incurred as a result of the debt restructuring are expensed when incurred.

### 3.8 Properties foreclosed

Properties foreclosed include land and/or construction, leasehold, condominium and repossessed vehicles.

The Bank state land and/or construction, leasehold and condominium at the lower of the outstanding loan principal including accrued interest or fair value.

Repossessed vehicles are stated at the lower of cost or fair value at the transferred date. Fair value is calculated by using market value (Red book).

Gains (losses) on disposal of properties foreclosed are recorded as income or expenses in the statements of comprehensive income when the disposal is made. Impairment loss (if any) is recognized as expense in the statements of comprehensive income.

### 3.9 Land, premises and equipment

The Bank and its subsidiaries state land at historical cost, while premises and equipment are stated at historical cost less accumulated depreciation.

Depreciation is calculated on a straight-line basis to write off the cost of each asset, except for land, to its residual value over its estimated useful life as follows;

Premises and building improvement	5, 20 and 30 years
Equipment	3 - 5 years
Furniture and fixtures	3 - 5 years
Vehicles	5 years

Gains or losses on disposal of fixed assets are determined by comparing proceeds with the carrying amount and are included in the statement of comprehensive income.

### 3.10 Goodwill in a business combination

Goodwill in a business combination represents the excess of the cost of acquisition over the Bank's interest in the fair value of the identifiable net assets acquired as at the date of acquisition. The Bank recognizes goodwill in a business combination as an asset recorded as of the acquisition date in the consolidated financial statements.

Goodwill is stated at cost less allowance for impairment (if any).

For excess of net fair value of the identifiable net assets over purchase cost as at the date of acquisition, the Bank recognizes that excess as revenue recorded in the consolidated statements of comprehensive income.

### 3.11 Intangible assets

#### 3.11.1 Computer software

Acquired computer software licenses are capitalized when the Bank uses the specific software. These costs are amortized over their estimated useful lives of not exceeding 10 years.

#### 3.11.2 TFEX membership license

The subsidiary, which is the securities business, recognized TFEX membership license as intangible asset without amortization. The subsidiary tests it for impairment annually and allowance for impairment (if any) will be set up and recorded as loss on impairment in the statement of comprehensive income.

#### 3.11.3 Deferred license fee

The subsidiaries amortize deferred license fee on a systematic basis over the useful economic useful life of 5 years.

### 3.12 Provisions

Provisions are recognized as liabilities in the statement of financial position when it is probable that an obligation for the Bank and its subsidiaries has been incurred as a result of a past event, it is possible that an outflow of economic benefits will be required to settle the obligation and the amount of the obligation can be reasonably estimated.

### 3.13 Foreign currency transactions

The Bank and its subsidiaries translate foreign currency transactions into Baht at the rates of exchange on the transaction dates. Monetary assets and liabilities at the reporting date denominated in foreign currencies are translated into Baht using the reference rates of exchange of the Bank of Thailand ruling as of that date.

Gains or losses on exchange resulting from the settlements and the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

### 3.14 Accounting for lease

Leases of premises or equipment which substantially all the risks and rewards of ownership are transferred to the lessee are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated to the principal and to the finance charges so as to achieve a constant rate on the finance lease balance outstanding. The outstanding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period. Assets acquired from financial lease will be depreciated throughout the assets life time or the period of contracts, whichever is the lower.

Leases which a significant portion of the risks and rewards of ownership retained with the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which such termination takes place.

### **3.15 Interest income on loans and deposits**

Interest income on loans and deposits are recognized as income on an accrual basis, except in the case of interest on loans which is over three months past due from the due date where interest is recognized on collection basis. The Bank reverses accrued interest income on loan when its principal or interest payment has become over three months past due to comply with the Bank of Thailand's Notification dated August 3, 2008. The Bank will recognize income only when cash is received and the Bank continues its income recognition on the accrual basis when the entire amount of the principal and overdue interest has been paid.

### **3.16 Hire-purchase and finance lease income**

Interest income from hire-purchase contracts is recognized based on the effective interest method.

Interest income on hire-purchase is recognized on an accrual basis. The Bank reverses accrued interest income on hire-purchase when its principal or interest payment has become over three months past due to comply with the Bank of Thailand's Notification dated August 3, 2008. The Bank will recognize income only when cash is received and the Bank continues its income recognition on the accrual basis when the entire amount of the principal and overdue interest has been paid.

The Bank and its subsidiaries recognize income from finance lease contracts on the effective interest method over the period of contracts.

### **3.17 Interest and dividend income from investment in securities**

Interest income on investment in securities is recognized as income on an accrual basis except in the case of interest on debt securities which is over three months past due where interest is recognized on collection basis. Dividend income is recognized when dividend is declared.

### **3.18 Income from investments in receivables**

The Bank and its subsidiaries recognize interest income from investments in receivables on the collection basis based on the outstanding loans multiplied by the effective yield according to contract or new agreement.

### **3.19 Fees and services income**

The Bank and its subsidiaries recognize fees and services income when services have been rendered.

### **3.20 Recognition of expenses**

The Bank and its subsidiaries recognize expenses on an accrual basis.

### 3.21 Income tax expenses

Income tax expenses represent the sum of income tax currently payable and deferred income tax.

#### 3.21.1 Current income tax

The Bank and its subsidiaries calculate income tax at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

#### 3.21.2 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit (tax base). The Bank and its subsidiaries generally recognize deferred tax liabilities for all taxable temporary differences, and deferred tax assets are generally recognized for temporary differences to the extent that it is probable that taxable profits will be available against which those temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at the reporting date. Deferred tax asset shall be reduced to the extent that utilized taxable profits are decreased. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available to allow total or part of the asset to be recovered by the Bank and its subsidiaries. The Bank and its subsidiaries do not recognize deferred tax assets and liabilities for the goodwill.

The Bank and its subsidiaries measure deferred tax assets and liabilities at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the end of the reporting period.

Current tax assets and liabilities are offset when there is a legally enforceable right for the Bank and its subsidiaries to off set the recognized amounts and the Bank and its subsidiaries intend to settle on a net basis or to realize the asset and settle the liability simultaneously and when they relate to income taxes levied by the same taxation authority.

The Bank and its subsidiaries present income tax expenses or income related to profit or loss in the statement of comprehensive income. Current income taxes and deferred taxes related to items recognized directly in other comprehensive income in equity in the same or different period are recognized directly in other comprehensive income.

### 3.22 Earnings per share

The Bank and its subsidiaries compute basic earnings per share by dividing the net profit for the period by the weighted-average number of issued and paid-up ordinary shares during the period. The diluted earnings per share are computed by dividing the net profit for the period adjusted by expense (after tax effect) saved from the conversion of dilutive potential ordinary shares, by the weighted-average number of ordinary shares (included potentially dilutive shares).

### 3.23 Employment benefit

#### Provident fund

The Bank and its subsidiaries operate a provident fund that is a defined contribution plan, the assets of which are held separately from the Bank and its subsidiaries and managed by an authorized fund manager. The provident fund is funded by payments from employees and by the Bank and its subsidiaries. Contributions to the provident fund are charged to be expenses in the statements of comprehensive income in the period to which they relate.

The Bank and its subsidiaries and every employee are required to make contributions at the same rates as follows;

Service periods	Contribution rate (%)
Less than 5 years	5
Over 5 years	8 - 10

#### Post-employment benefit obligation

##### Legal severance payment plan

All employees will receive severance payment upon retirement in accordance with the Labor Protection Act.

The obligation of this plan is considered as an unfunded defined benefit obligation under TAS 19 Employee benefits and is separately measured by an actuary using the projected unit credit method to determine the present value of employee benefit cash flows to be paid in the future. Under this method, the obligation is based on an actuarial calculation including the employee's expected salary, employees' turnover rate, salary increase rate, mortality rate, discount rate, years of service and other factors.

Actuarial gains (losses) are recognized in other comprehensive income.

The Bank and its subsidiaries recognize the post-employment benefit obligation as a provision in the statement of financial position and personnel expenses in the statement of comprehensive income.

#### Benefit from carried forward leave

The Bank and its subsidiaries recognize the benefit from employees' cumulative carried forward leave as a provision in the statement of financial position and personnel expenses in the statement of comprehensive income.

### 3.24 Derivatives

Recognition of derivatives is as follows:

- 3.24.1 Derivatives for trading are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, they are remeasured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.
- 3.24.2 Derivatives for hedging of transactions which are measured on an accrual basis are recorded as off-financial reporting items and income and expense are recognised on an accrual basis equivalent to that used for the underlying transactions.

**3.25 Recognition and amortization customers' deposits**

Cash collateral received from customers for trading in securities of cash balance accounts or placed as margin for derivatives trading is recorded as assets and liabilities of the subsidiary for internal control purposes. As at the end of reporting period, the subsidiary excludes these amounts from both the assets and liabilities and presents only the assets which belong to the subsidiary.

**3.26 Securities borrowing and lending**

The subsidiary records its obligations to return borrowed securities which has been sold as short selling or lent as "Securities and derivative business payables" in the statements of financial position. At the end of the period, the balance of securities borrowing payables are adjusted by the latest offer price quoted on the Stock Exchange of Thailand on the last working day of the period. Gains or losses arising from such adjustment are included in statements of comprehensive income. Securities lent to customers are recorded as "Securities and derivative business receivables" in the statements of financial position. Cash paid or received as collateral for securities borrowing and lending is recorded as "Collateral receivables" or "Collateral payables". Fees on securities borrowing and lending are recognized on an accrual basis.

**3.27 Receivables from Clearing House**

Receivables from Clearing House comprise of net receivable from Thailand Clearing House (TCH) for settlement of equity securities trading made through the Stock Exchange of Thailand, and net receivable from TCH from derivatives trades of subsidiaries which include cash collateral pledged with TCH for derivatives trades.

**3.28 Payables to Clearing House**

Payables to Clearing House comprise of net payable to Thailand Clearing House (TCH) for settlement of equity securities trading made through the Stock Exchange of Thailand and net payable to TCH which is margin required by TCH for derivatives business of subsidiaries.

**3.29 Securities and derivatives business receivables**

Securities and derivatives business receivables are cash account traders which are the receivables that were derived from cash settlements within 3 working days, after the securities purchasing date.

**3.30 Securities and derivatives business payables**

Securities and derivatives business payables are the obligation of the subsidiary in respect to securities and derivatives business with outside parties, such as the net payable of cash accounts, obligation to deliver securities as a result of short sales or securities borrowing and obligation to return assets held by the subsidiary as customers' collateral for securities lending, etc.

**3.31 Structured notes**

The subsidiary's structured notes are offered to customers or business associates of the subsidiary, who are institutional investors or high net worth investors, through private placements. The notes are issued under conditions approved by the Office of the Securities and Exchange Commission, and the underlying assets are securities listed on the Stock Exchange of Thailand.



The notes are recorded at amortized cost, adjusted by the discount on the notes. The discount is amortized by the effective rate method with the amortized amount presented as interest expense in statement of comprehensive income.

Embedded derivatives are recorded as derivative assets/liabilities at fair value and the changes in fair value are recorded in statement of comprehensive income. In determining the fair value of structured notes, the subsidiary uses a valuation technique and theoretical model. The input to the model is derived from observable market and conditions that include liquidity, dividend, interest rate, underlying price and volatility of underlying asset.

#### 4. RISK MANAGEMENT

The risk management policy of the Bank and its subsidiaries is emphasized on managing overall risks as a Group wide in order to ensure the appropriateness and effectiveness of the enterprise wide risk management. While each related business and department unit is required to sufficiently understand and effectively manage its risks incurred under the centralized framework and risk management policy of the Bank and its subsidiaries, risk management department also plays important roles to control and review each business line and unit to ensure the sufficient risk management and control system.

Significant financial assets carried on the statement of financial position include cash, interbank and money market items, investments in securities, investments in receivables, hire-purchase receivables and loans. Significant financial liabilities carried on the statement of financial position include deposits, interbank and money market items, and debt issued and borrowings.

Risks relating to significant financial instruments held by the Bank and its subsidiaries are summarized below:

##### 4.1 Credit risk

Credit risk refers to risk arising from the failure of either debtors to repay principal and interest as agreed, or of counterparties to comply with conditions or contracts. Credit risk covers all types of financial products: transactions on-financial reporting such as loans, overdrafts, bills of exchange, and other types of debts; and those off-financial reporting such as derivatives trading and letters of guarantee.

In the case of recognized financial assets, the carrying amount of the assets recorded in the statement of financial position, net of a portion of allowance for doubtful accounts (see Note 6.9), represents the maximum exposure to credit risk.

The Bank and its subsidiaries consider that there is no significant concentration of credit risk due to a large number of customers and counterparties in different industries.

Credit risk also arises from the possibility that the counterparty to off-statement of financial position financial instruments will not adhere to the terms of the contract when settlement becomes due.

The Bank and its subsidiaries are exposed to credit risk in case where the counter-party fails to comply with terms in accordance with off-statement of financial position financial instruments such as commitments to extend credit, standby letters of credit, and financial guarantees. Risk of aforementioned instruments equals the contractual notional amount of applicable instruments. The Bank and its subsidiaries use the same credit policy in making commitments and conditional obligations as they do for on-statement of financial position financial instruments. For interest rate swap and forward foreign exchange contracts, the contract or notional amount does not represent the Bank and its subsidiaries exposure to potential credit loss. The Bank and its subsidiaries controls credit risk on financial instruments through prudent credit approvals, limits, and strict monitoring procedures.

The Bank and its subsidiaries have policies in place to ensure that loans are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Bank and its subsidiaries have policies that limit the credit line of loan transaction to any client or financial institution.

Concentrations of credit risk relative to the loans and receivables summarized by type of industry are as follows;

Unit: Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2013	2012	2013	2012
Agriculture and mining	29,532	24,378	29,532	24,378
Manufacturing and commerce	6,568,291	6,232,618	6,568,291	6,232,618
Real estate and constructions	37,044,249	28,155,049	37,044,249	28,155,049
Public utilities and services	766,803	827,182	766,803	827,182
Housing loans	456,779	523,392	456,779	523,392
Hire-purchase loans	140,135,836	127,665,135	140,135,836	127,665,135
Leasing loans	883,015	669,483	883,015	669,483
Others	4,918,995	4,896,798	6,104,512	5,140,361
Total loans and receivables	190,803,500	168,994,035	191,989,017	169,237,598

## 4.2 Interest rate risk and liquidity risk

The matching of the long-term source of funds and investment or long-term loans is the fundamental policy of the Bank's liquidity risk management policy. Meanwhile, the management over liabilities with the proper maturity and low funding cost is also the Bank's fundamental policy. It is unusual for the Bank to completely match these criteria since business transacted is often of uncertain term and of different types. The Bank has a committee to oversee interest rate risk and liquidity risk by having weekly meeting to balance the two risks to be at an acceptable cost.

### 4.2.1 Interest rate risk

Interest rate risk arises from the change in interest rates which will affect the net interest earnings in the current reporting period and in the future. Interest rate risk arises from the structure and characteristics of the Bank's assets, liabilities and equity.

Most of the Bank's financial assets and liabilities are subject to fluctuations in interest rates in the market. Interests on loans and receivables are both fixed rate and floating rate, linked to, for examples, Minimum Lending

Rate (MLR) plus or Minimum Overdraft Rate (MOR) plus. Loans and receivables summarized under fixed and floating interest rate which classifications are as follows;

Unit: Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2013	2012	2013	2012
Loans and receivables with fixed interest rate	150,542,302	138,344,907	150,542,302	138,344,907
Loans and receivables with floating interest rate	40,261,198	30,649,128	41,446,715	30,892,691
Total loans and receivables	190,803,500	168,994,035	191,989,017	169,237,598

The Bank and its subsidiaries have summarized financial assets and liabilities classified on maturity of interest re-pricing period as at December 31, 2013 and 2012 as follows;

Unit: Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS						
	2013						
	0-3 months	Over 3 -12 months	Over 1 - 5 years	5 years	Non-performing loans	Non-interest bearing	Total
<b>Financial assets</b>							
Interbank and money market items, net	6,829,963	-	-	-	-	2,898,643	9,728,606
Derivatives assets	30,077	17,342	-	-	-	326,142	373,561
Investments in securities, net	7,608,811	855,747	8,126,909	2,328,959	-	8,050,285	26,970,711
Investments in receivables, net	50,103	474,028	707,590	-	2,652,984	-	3,884,705
Investments in properties, net	-	-	57,300	-	-	-	57,300
Loans	52,207,889	28,252,293	98,075,495	4,991,631	980,545	6,295,647	190,803,500
Securities and derivative business							
Receivables	-	-	-	-	-	10,207,069	10,207,069
Receivables from clearing house	-	-	-	-	-	460,995	460,995
<b>Financial liabilities</b>							
Deposits	67,981,783	72,392,670	5,459,813	-	-	162,232	145,996,498
Interbank and money market items, net	5,376,156	244,775	1,018,401	-	-	16,689	6,656,021
Liabilities payables on demand	-	-	-	-	-	414,296	414,296
Derivatives liabilities	66,549	43,622	-	-	-	523,944	634,115
Debt issued and borrowings	16,520,848	15,347,103	10,691,078	10,000	-	-	42,569,029
Payable to clearing house	912	-	-	-	-	1,049,821	1,050,733
Securities and derivative business payables	20,899	-	-	-	-	8,866,020	8,886,919

Unit: Thousand Baht

CONSOLIDATED FINANCIAL STATEMENTS							
2012							
	0-3 months	Over 3 -12 months	Over 1 - 5 years	5 years	Non-performing loans	Non-interest bearing	Total
<b>Financial assets</b>							
Interbank and money market items, net	2,744,532	992,154	-	-	-	3,788,590	7,525,276
Derivatives assets	-	6,656	75,292	-	-	5,637	87,585
Investments in securities, net	17,378,563	8,046,094	3,206,369	3,004,943	-	5,987,869	37,623,838
Investments in receivables, net	33,683	664,391	1,018,462	6,826	3,002,983	-	4,726,345
Investments in properties, net	-	-	77,746	-	-	-	77,746
Loans	40,143,635	27,469,664	89,875,823	5,877,368	646,908	4,980,637	168,994,035
Securities and derivative business							
Receivables	-	-	-	-	-	4,818,085	4,818,085
Receivables from clearing house	780	-	-	-	-	755,936	756,716
<b>Financial liabilities</b>							
Deposits	74,576,609	49,861,305	28,020,460	-	-	568,864	153,027,238
Interbank and money market items, net	2,389,812	2,214,851	820,968	-	-	42,776	5,468,407
Liabilities payables on demand	-	-	-	-	-	374,595	374,595
Derivatives liabilities	-	-	-	-	-	7,931	7,931
Debt issued and borrowings	5,158,933	12,295,868	9,643,535	2,025,000	-	-	29,123,336
Payable to clearing house	-	-	-	-	-	149,364	149,364
Securities and derivative business payables	18,175	-	-	-	-	4,739,275	4,757,450

Unit: Thousand Baht

THE BANK'S FINANCIAL STATEMENTS							
2013							
	0-3 months	Over 3 -12 months	Over 1 - 5 years	5 years	Non-performing loans	Non-interest bearing	Total
<b>Financial assets</b>							
Interbank and money market items, net	4,142,388	-	-	-	-	2,113,271	6,255,659
Derivatives assets	30,077	17,342	-	-	-	243,878	291,297
Investments in securities, net	6,810,945	815,337	8,116,709	2,328,959	-	23,127	18,095,077
Investments in receivables, net	-	471,727	707,590	-	-	-	1,179,317
Loans	51,643,406	30,002,293	98,075,495	4,991,631	980,545	6,295,647	191,989,017
<b>Financial liabilities</b>							
Deposits	68,110,022	72,392,670	5,459,813	-	-	162,232	146,124,737
Interbank and money market items, net	5,465,826	244,775	1,018,401	-	-	16,689	6,745,691
Liabilities payables on demand	-	-	-	-	-	414,296	414,296
Derivatives liabilities	66,549	43,622	-	-	-	142,427	252,598
Debt issued and borrowings	16,520,847	13,614,445	10,691,078	10,000	-	-	40,836,370

Unit: Thousand Baht

	THE BANK'S FINANCIAL STATEMENTS						
	2012						
	0-3 months	Over 3 -12 months	Over 1 - 5 years	5 years	Non-performing loans	Non-interest bearing	Total
<b>Financial assets</b>							
Interbank and money market items, net	1,929,563	992,153	-	-	-	3,282,795	6,204,511
Derivatives assets	-	6,656	75,292	-	-	-	81,948
Investments in securities, net	13,073,857	8,046,094	3,206,369	3,004,943	-	141,028	27,472,291
Investments in receivables, net	-	657,056	985,585	-	-	-	1,642,641
Loans	40,393,499	27,469,664	89,875,823	5,877,368	640,607	4,980,637	169,237,598
<b>Financial liabilities</b>							
Deposits	75,081,080	49,861,305	28,020,460	-	-	568,864	153,531,709
Interbank and money market items, net	2,389,736	2,346,960	820,968	-	-	55,088	5,612,752
Liabilities payables on demand	-	-	-	-	-	374,595	374,595
Debt issued and borrowings	5,158,933	10,631,507	9,643,535	2,025,000	-	-	27,458,975

The average balances of significant performing financial assets and financial liabilities, including the average interest and dividend income are summarized as follows;

Unit: Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS		
	For the year ended December 31, 2013		
	Average Outstanding Balances	Interest and dividend income	Average Rate %
<b>Significant performing financial assets</b>			
Interbank and money market items, net	12,689,799	327,153	2.58
Investments in securities	24,183,550	776,530	3.21
Investments in receivables	3,833,797	556,556	14.52
Loans	182,325,258	14,148,433	7.76
	223,032,404	15,808,672	7.09
<b>Significant financial liabilities</b>			
Deposits and interbank and money market items, net	160,119,379	5,329,163	3.33
Debt issued and borrowings	35,433,599	1,254,983	3.54
	195,552,978	6,584,146	3.37

Unit: Thousand Baht

CONSOLIDATED FINANCIAL STATEMENTS			
For the year ended December 31, 2012			
	Average Outstanding Balances	Interest and dividend income	Average Rate %
<i>Significant performing financial assets</i>			
Interbank and money market items, net	18,692,882	644,993	3.45
Investments in securities	33,680,288	935,191	2.78
Investments in receivables	4,583,719	886,415	19.34
Loans	154,428,853	11,985,104	7.76
	211,385,742	14,451,703	6.84
<i>Significant financial liabilities</i>			
Deposits and interbank and money market items, net	119,808,283	4,048,878	3.38
Debt issued and borrowings	65,432,320	2,598,637	3.97
	185,240,603	6,647,515	3.59

Unit: Thousand Baht

THE BANK'S FINANCIAL STATEMENTS			
For the year ended December 31, 2013			
	Average Outstanding Balances	Interest and dividend income	Average Rate %
<i>Significant performing financial assets</i>			
Interbank and money market items, net	10,477,501	251,836	2.40
Investments in securities	19,658,115	636,210	3.24
Investments in receivables	1,727,324	140,478	8.13
Loans	183,485,728	14,169,406	7.72
	215,348,668	15,197,930	7.06
<i>Significant financial liabilities</i>			
Deposits and interbank and money market items, net	160,219,364	5,313,924	3.32
Debt issued and borrowings	33,837,532	1,205,980	3.56
	194,056,896	6,519,904	3.36



Unit: Thousand Baht

	THE BANK'S FINANCIAL STATEMENTS		
	For the year ended December 31, 2012		
	Average Outstanding Balances	Interest and dividend income	Average Rate %
<b>Significant performing financial assets</b>			
Interbank and money market items, net	17,801,496	614,598	3.45
Investments in securities	30,665,751	888,027	2.90
Investments in receivables	2,060,798	133,252	6.47
Loans	153,806,582	11,960,947	7.78
	204,334,627	13,596,824	6.65
<b>Significant financial liabilities</b>			
Deposits and interbank and money market items, net	120,547,023	4,075,350	3.38
Debt issued and borrowings	66,800,595	2,645,438	3.96
	187,347,618	6,720,788	3.59

#### 4.2.2 Liquidity risk

Liquidity risk means risk resulting from the Bank and its subsidiaries' failure to pay its debts and obligations when due because of its inability to convert assets into cash, or its failure to procure enough fund, or if it can, that the fund comes with an exceptionally high cost that the Bank and its subsidiaries's may affect income and capital fund now and in the future.

The Bank and its subsidiaries maintains excess liquidity cushion at a level commensurated with the economic situation. The Bank seeks to ensure that there is adequate cash for its business and its subsidiaries' business operations. Liquidity management utilizes qualitative and quantitative approaches to ensure appropriate risk diversification. The structure and behavior of customers' deposits/withdrawals and market competitiveness are considered in order to ensure efficient alignment with the cash flow demand for each time period and at an appropriate cost level, under the supervision of the Liquidity Management Committee.

The Bank uses relevant tools to manage liquidity risk such as liquidity gap analysis which includes behavioral adjustment and liquidity ratio analysis. This task is done in addition to the requirement to maintain liquid assets according to the Bank of Thailand's requirements. In addition, its subsidiaries' cash inflow and outflow are monitored by the treasury department in order to prepare daily cash usage plan. The Company and its subsidiaries control size of any business transaction which may increase our risk of incurring unexpected liability to make cash payment and also considers the impact to internal liquidity and net capital ratio of the subsidiary. The subsidiary maintains a net capital ratio in accordance with the rules laid down by the Office of the Securities and Exchange Commission.

In addition, the Bank establishes liquidity cushion and adjusts the strategies to deal with the Deposit Protection Agency Act in order to buttress liquidity management tools and customer savings alternatives by the continuous issuance of bills of exchange and debentures within the limits approved by the Bank's Board of Directors.

Significant assets and liabilities of the Bank analyzed by relevant maturity groupings are as follows;

Unit: Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS					
	2013					
	On demand	Within 1 year	1 - 5 years	Over 5 years	No maturity	Total
<b>Financial assets</b>						
Cash	-	-	-	-	1,230,769	1,230,769
Interbank and money market items, net	3,333,748	6,344,654	-	-	50,204	9,728,606
Derivatives assets	-	314,237	59,324	-	-	373,561
Investments in securities, net	-	14,827,005	8,135,185	2,328,959	1,679,562	26,970,711
Investments in receivables, net	-	60,960	3,823,745	-	-	3,884,705
Investments in properties, net	-	-	57,300	-	-	57,300
Securities and derivative business receivables	-	10,207,069	-	-	-	10,207,069
Accounts receivable from clearing house	-	460,995	-	-	-	460,995
Hire-purchase receivables	18,087	2,742,272	102,294,748	35,080,729	-	140,135,836
Leasing receivables	8,611	47,474	826,930	-	-	883,015
Loans and receivables	2,366,508	3,498,673	26,736,014	17,183,454	-	49,784,649
Total financial assets	5,726,954	38,503,339	141,933,246	54,593,142	2,960,535	243,717,216
<b>Financial liabilities</b>						
Deposits	24,331,205	116,332,584	5,332,709	-	-	145,996,498
Interbank and money market items, net	253,356	5,384,264	441,426	576,975	-	6,656,021
Liabilities payable on demand	414,296	-	-	-	-	414,296
Derivatives liabilities	-	559,896	74,219	-	-	634,115
Debt issued and borrowings	1,300	23,236,650	16,331,079	3,000,000	-	42,569,029
Accounts payable to clearing house	-	1,050,733	-	-	-	1,050,733
Securities and derivative business Payables	-	8,886,919	-	-	-	8,886,919
Total financial liabilities	25,000,157	155,451,046	22,179,433	3,576,975	-	206,207,611

Unit: Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS					
	2012					
	On demand	Within 1 year	1 - 5 years	Over 5 years	No maturity	Total
<b>Financial assets</b>						
Cash	-	-	-	-	1,392,284	1,392,284
Interbank and money market items, net	5,148,978	2,304,785	-	-	71,513	7,525,276
Derivatives assets	-	12,293	75,292	-	-	87,585
Investments in securities, net	-	29,318,423	3,505,371	3,004,943	1,795,101	37,623,838
Investments in receivables, net	53,818	21,425	4,644,276	6,826	-	4,726,345
Investments in properties, net	-	-	77,746	-	-	77,746
Securities and derivative business receivables	-	4,818,085	-	-	-	4,818,085
Accounts receivable from clearing house	780	755,936	-	-	-	756,716
Hire-purchase receivables	13,358	2,099,400	87,769,167	37,783,210	-	127,665,135
Leasing receivables	25,368	19,554	624,561	-	-	669,483
Loans and receivables	2,181,958	3,062,505	21,256,522	14,158,432	-	40,659,417
Total financial assets	7,424,260	42,412,406	117,952,935	54,953,411	3,258,898	226,001,910
<b>Financial liabilities</b>						
Deposits	25,747,189	99,322,555	27,957,494	-	-	153,027,238
Interbank and money market items, net	448,844	3,403,849	1,615,714	-	-	5,468,407
Liabilities payable on demand	374,595	-	-	-	-	374,595
Derivatives liabilities	-	7,931	-	-	-	7,931
Debt issued and borrowings	1,195	17,456,406	9,640,735	2,025,000	-	29,123,336
Accounts payable to clearing house	-	149,364	-	-	-	149,364
Securities and derivative business Payables	-	4,739,275	-	-	18,175	4,757,450
Total financial liabilities	26,571,823	125,079,380	39,213,943	2,025,000	18,175	192,908,321

Unit: Thousand Baht

THE BANK'S FINANCIAL STATEMENTS						
2013						
	On demand	Within 1 year	1 - 5 years	Over 5 years	No maturity	Total
<b>Financial assets</b>						
Cash	-	-	-	-	1,229,487	1,229,487
Interbank and money market items, net	2,707,267	3,548,392	-	-	-	6,255,659
Derivatives assets	-	231,973	59,324	-	-	291,297
Investments in securities, net	-	7,586,281	8,116,709	2,328,959	63,128	18,095,077
Investments in receivables, net	-	-	1,179,317	-	-	1,179,317
Hire-purchase receivables	18,087	2,742,272	102,294,748	35,080,729	-	140,135,836
Leasing receivables	8,611	47,474	826,930	-	-	883,015
Loans and receivables	1,802,025	5,248,673	26,736,014	17,183,454	-	50,970,166
Total financial assets	4,535,990	19,405,065	139,213,042	54,593,142	1,292,615	219,039,854
<b>Financial liabilities</b>						
Deposits	24,459,444	116,332,584	5,332,709	-	-	146,124,737
Interbank and money market items, net	278,477	5,448,813	441,426	576,975	-	6,745,691
Liabilities payable on demand	414,296	-	-	-	-	414,296
Derivatives liabilities	-	178,379	74,219	-	-	252,598
Debt issued and borrowings	1,300	21,503,992	16,331,078	3,000,000	-	40,836,370
Total financial liabilities	25,153,517	143,463,768	22,179,432	3,576,975	-	194,373,692

Unit: Thousand Baht

THE BANK'S FINANCIAL STATEMENTS						
2012						
	On demand	Within 1 year	1 - 5 years	Over 5 years	No maturity	Total
<b>Financial assets</b>						
Cash	-	-	-	-	1,391,033	1,391,033
Interbank and money market items, net	3,911,725	2,292,786	-	-	-	6,204,511
Derivatives assets	-	6,656	75,292	-	-	81,948
Investments in securities, net	-	20,894,555	3,432,955	3,004,943	139,838	27,472,291
Investments in receivables, net	-	-	1,642,641	-	-	1,642,641
Hire-purchase receivables	13,358	2,099,400	87,769,167	37,783,210	-	127,665,135
Leasing receivables	25,368	19,554	624,561	-	-	669,483
Loans and receivables	2,425,521	3,062,505	21,256,522	14,158,432	-	40,902,980
Total financial assets	6,375,972	28,375,456	114,801,138	54,946,585	1,530,871	206,030,022
<b>Financial liabilities</b>						
Deposits	26,251,660	99,322,555	27,957,494	-	-	153,531,709
Interbank and money market items, net	336,078	3,660,960	1,615,714	-	-	5,612,752
Liabilities payable on demand	374,595	-	-	-	-	374,595
Debt issued and borrowings	1,195	15,792,045	9,640,735	2,025,000	-	27,458,975
Total financial liabilities	26,963,528	118,775,560	39,213,943	2,025,000	-	186,978,031

### 4.3 Foreign exchange rate risk

Foreign exchange rate risk refers to the loss affecting income and/or equity from exchange rate fluctuations that affect foreign currency transactions and foreign currency assets and liabilities.

The foreign exchange rate risk of the Bank is low since the Bank has forward contracts to reduce the exposure. The subsidiary's exposure to foreign currency risk arise mainly from income and expense transactions that are denominated in foreign currencies since the subsidiary have no forward contracts to reduce such exposure.

The balances of financial assets and liabilities denominated in foreign currencies as at December 31, 2013 and 2012 are summarised below:

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2013	2012	2013	2012
<b>Financial assets</b>				
US Dollar	44,785,591	34,823,563	25,730,757	26,477,942
Hong Kong Dollar	-	2,683,848	-	-
Euro	5,599,608	5,609,751	5,599,608	5,557,608
Yen	1,311,427,000	1,331,027,072	1,311,427,000	1,327,586,000
Pound	19,600	-	-	-
Kip	43,059,289,936	45,722,276,359	-	-
Yuan	59,505	199,999,092	59,505	199,999,092
<b>Financial liabilities</b>				
US Dollar	13,081,234	9,636,325	-	-
Hong Kong Dollar	118,442	629,374	-	-
Pound	4,724	-	-	-

### 4.4 Equity price risk

Equity price risk refers to the loss affecting income and/or equity from a movement in equity price.

The Bank assess the potential of securities issuer companies and has a policy to buy/sell equity securities mainly for medium-term and long-term investments. In managing equity position risk which is held, according to initial intention, as long-term, the Bank monitors and reports the equity price risk and ensures that the level of capital fund is appropriate.

### 4.5 Market risk

Market risk refers to the value or price of assets, such as interest rate, exchange rate, asset in money or capital market, including price volatility of money and capital market securities which affects the value of price of derivatives, deviates and then takes effect to the Bank's stability on either Trading Book or Banking Book, and may negatively result the Bank's incomes and capital.

Since market factors are uncontrollable, the Bank realizes the importance of managing market risk. As such, the Bank has laid out a market risk management framework for the efficient and appropriate management of market risk while limiting the risk to the Bank's risk appetite and its overall risk policy. Market risk management policy has been constructed with

regular reviews for the timely responses to any changes in characteristic, volume or complexity of financial transactions or market environment. Additionally, key risk indicators and their limits are determined for the assessment, monitoring and controlling of such risks within an acceptable level.

Subsidiaries' exposure to market risk is the risk that volatility on the Stock Exchange of Thailand and The Thailand Futures Exchange will substantially reduce the value of the subsidiaries' investments. Subsidiaries manage the market risk by analyzing market risk inherent in subsidiaries' business transactions, developing measuring tools, setting market risk limits and assigning risk management department to continuously monitor market risk level and report to the management.

#### **4.6 Fair value**

Since the majority of the Bank and its subsidiaries' financial instruments are short-term in nature or bear floating interest rates, their fair value is not expected to be materially different from the amounts presented in the statements of financial position.

The methodology of fair value measurement is depended on the characteristics of the financial instrument. For those financial instruments which are regarded as being traded in an active market, fair value is determined by reference to the market price of the financial instrument. If however the appropriate quoted market price cannot be determined, the fair value is determined by using an appropriate valuation technique such as discounted cash flow.



The fair value of financial instruments as at December 31, 2013 and 2012 are as follows;

Unit: Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS			
	2013		2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial assets</b>				
Cash	1,230,769	1,230,769	1,392,284	1,392,284
Interbank and money market items, net	9,728,606	9,728,606	7,525,276	7,525,276
Derivatives assets	373,561	373,561	87,585	87,585
Investments in securities, net	26,970,711	27,832,214	37,623,838	38,093,859
Investments in receivables, net	3,884,705	3,884,705	4,726,345	4,726,345
Investments in properties, net	57,300	57,300	77,746	77,746
Loans to customers and accrued interest receivables, net	184,778,449	184,778,449	163,832,940	163,832,940
Securities and derivative business receivables	10,207,069	10,207,069	4,818,085	4,818,085
Receivables from clearing house	460,995	460,995	756,716	756,716
Total	237,692,165	238,553,668	220,840,815	221,310,836
<b>Financial liabilities</b>				
Deposits	145,996,498	145,996,498	153,027,238	153,027,238
Interbank and money market items, net	6,656,021	6,656,021	5,468,407	5,468,407
Liabilities payables on demand	414,296	414,296	374,595	374,595
Derivatives liabilities	634,115	634,115	7,931	7,931
Debt issued and borrowings	42,569,029	42,741,868	29,123,336	30,815,503
Payables to clearing house	1,050,733	1,050,733	149,364	149,364
Securities and derivative business payables	8,886,919	8,886,919	4,757,450	4,757,450
Accrued interest payables	1,059,165	1,059,165	834,779	834,779
Total	207,266,776	207,439,615	193,743,100	195,435,267

Unit: Thousand Baht

	THE BANK'S FINANCIAL STATEMENTS			
	2013		2012	
	Carrying amount	Fair value	Carrying Amount	Fair value
<b>Financial assets</b>				
Cash	1,229,487	1,229,487	1,391,033	1,391,033
Interbank and money market items, net	6,255,659	6,255,659	6,204,511	6,204,511
Derivatives assets	291,297	291,297	81,948	81,948
Investments in securities, net	18,095,077	18,956,580	27,472,291	27,940,812
Investments in receivables, net	1,179,317	1,179,317	1,642,641	1,642,641
Loans to customers and accrued interest receivables, net	185,974,916	185,974,916	164,080,379	164,080,379
Total	213,025,753	213,887,256	200,872,803	201,341,324
<b>Financial liabilities</b>				
Deposits	146,124,737	146,124,737	153,531,709	153,531,709
Interbank and money market items, net	6,745,691	6,745,691	5,612,752	5,612,752
Liabilities payables on demand	414,296	414,296	374,595	374,595
Derivatives liabilities	252,598	252,598	-	-
Debt issued and borrowings	40,836,370	41,009,209	27,458,975	29,151,143
Accrued interest payables	1,069,217	1,069,217	855,507	855,507
Total	195,442,909	195,615,748	187,833,538	189,525,706

The following methods and assumptions are used in estimating fair value of financial instruments as disclosed herein:

Cash and interbank and money market items (assets):

The carrying amounts of cash and interbank and money market items (assets) presented in the statement of financial position approximate fair values.

Derivatives

The fair value of derivatives is derived from market price or valuation techniques which are based on the market prices of instruments with similar characteristics and maturities or the valuation quoted by a reliable institution. Where applicable, a valuation reserve is applied to arrive at proper fair value.

Investments in securities, net:

The determination of fair value for investments, net, is as disclosed in note 3.2 to the financial statements except for non-listed equity securities which are presented at net book value and listed equity securities acquired from troubled debt restructurings and having an obligation to hold such securities according to debt restructuring agreements which are presented at cost.

Investments in receivables, net:

The carrying amount of investments in receivables presented in the statement of financial position approximates fair value.

Investment in properties, net:

Fair value for investments in property is calculated from the appraisal value, appraised by an external independent valuer or internal valuer according to the Bank of Thailand's guidelines and discounted by the risk premium according to the holding period.

Loans and accrued interest receivables, net:

Loans and accrued interest receivables, net include non-performing loans. Interest on the majority of loans are fixed rate. The fair value is the outstanding balance of loans and accrued interest receivables less allowance for doubtful accounts.

Securities and derivative business receivables:

The carrying amount of securities and derivative business receivables presented in the statement of financial position approximates fair value.

Receivables from clearing house:

The carrying amount of receivable from clearing house presented in the statement of financial position approximate fair value.

Deposits:

The carrying amount of deposits presented in the statement of financial position approximates fair value.

Interbank and money market items (liabilities):

The carrying amount of interbank and money market items (liabilities) presented in the statement of financial position approximates fair value.

Liabilities payable on demand:

The carrying amount of liabilities payable on demand presented in the statement of financial position approximates fair value.

Debt issued and borrowings:

The fair value of debts issued and borrowings is based on the market values or amortized cost.

Payables to clearing house:

The carrying amount of payable to clearing house presented in the statement of financial position approximates fair value.

Securities and derivative business payables:

The carrying amount of securities and derivative business payables presented in the statement of financial position approximates fair value.

Accrued interest payables:

The carrying amount of accrued interest payable presented in the statement of financial position approximates fair value.

#### **4.7 Derivatives**

The Bank has set up objectives and policies to manage the foreign exchange risk and interest rate risk from the volatility of foreign exchange rates and interest rates by using the derivatives for serving the client's need and the Bank's assets and liabilities management purpose.

The Bank and its subsidiaries controls the counterparty risks by setting-up the credit limit based on the normal lending procedures.

#### **4.8 Capital fund**

As a result of BASEL II improvement, on November 8, 2012, the Bank of Thailand issued the new supervisory guideline on capital fund for the commercial bank to comply with global regulatory framework (BASEL III) of Basel Committee on Banking Supervision (BCBS) which is effective by phase starting on January 1, 2013 up to January 1, 2019. During the period January 1, 2013 to December 31, 2015, the minimum capital requirement ratio is 8.5% of total risk weighted assets with the condition that Tier 1 capital shall not be less than 6.0% of total risk weighted assets and common equity Tier 1 capital shall not be less than 4.5% of total risk weighted assets.

Under Basel II regulation, the minimum capital requirement ratio is 8.5% of total risk weighted assets with the condition that the Tier 1 capital shall not be less than 4.25% of total risk weighted assets.

The Bank thus conducts the internal capital adequacy assessment process in accordance with the supervisory review process of the Bank of Thailand and monitors on a regular basis to ensure that the current and future capital requirements are aligned with the risk appetite in the Bank.

The Bank maintains its capital funds in accordance with the criteria, methodologies and conditions prescribed by the Bank of Thailand. As at December 31, 2013 and 2012, the Bank's total capital funds can be categorized as follows;

Unit: Thousand Baht

	THE BANK'S FINANCIAL STATEMENTS	
	2013	2012
Tier 1 capital		
Issued and paid-up capital	8,388,331	8,328,319
Share premium	9,203,653	9,088,009
Legal reserve	852,337	782,332
General reserve	380	380
Retained earnings after appropriation	12,423,333	11,607,077
Other reserve and other provisions	(1,546)	-
Less: Deferred tax assets	(753,729)	(668,264)
Goodwill	(3,085,607)	(3,009,963)
Total tier 1 capital	27,027,152	26,127,890
Tier 2 capital	1,150,113	1,262,653
Total capital fund	28,177,265	27,390,543

As at December 31, 2013 and 2012, capital adequacy ratios and leverage ratios maintained by the Bank in accordance with the Notification of the BOT are as follows;

	THE BANK'S FINANCIAL STATEMENTS			
	2013 Basel III		2012 Basel II	
	Bank's capital fund ratio (%)	Minimum required by BOT (%)	Bank's capital fund ratio (%)	Minimum required by BOT (%)
Common equity tier 1 capital to risk-weighted assets	13.10	4.50	-	-
Tier 1 capital to risk-weighted assets	13.10	6.00	14.01	4.25
Capital funds to risk-weighted assets	13.66	8.50	14.69	8.50

Disclosure of Capital Maintenance information under the Notification of the Bank of Thailand Re: Public Disclosure of Capital Maintenance for Commercial Banks

Location of disclosure : [www.kiatnakin.co.th](http://www.kiatnakin.co.th)  
Date of disclosure : April 30, 2014  
Information as at : December 31, 2013

## 5. ESTIMATES AND ASSUMPTIONS

Preparation of financial statements in conformity with the Thai Financial Reporting Standards requires management to make estimates and assumptions in certain circumstances, affecting reported amounts of revenue, expenses, assets and liabilities, the disclosure of contingent assets and liabilities. Actual results could differ from these estimates. The significant areas requiring management to make judgments and estimates that affect reported amounts and disclosures are as follows:

### 5.1 Allowance for doubtful accounts

#### 5.1.1 Loans

The Bank classifies its loan portfolios into categories and sets allowance for doubtful accounts for loans in accordance with the Bank of Thailand's Notification and with the management's estimation over the allowance for doubtful accounts from the outstanding balance of loans at the period end date. The period of time that a loan is past due and the ability to repay the debt are the principal criteria utilized in classifying a loan. The collateral value used in calculating the required allowance for doubtful accounts is based on the type of collateral. Revaluation is performed every 3 years in accordance to the Bank of Thailand's guideline. The Bank provided the allowance for doubtful accounts on substandard, doubtful and doubtful loss at the rate of 100% of the difference between the carrying amount and net present value of estimated future cash flow to be received from debtors or from sales of collateral. Discount rate and holding periods used is in compliance with the Bank of Thailand's guideline. For the normal and special mentioned debts, the Bank provided the allowance for doubtful accounts at the rates of 1% and 2%, respectively.

#### 5.1.2 Fleet car hire-purchase receivables

Since January 1, 2013, the Bank changed the accounting method of allowance for doubtful account of fleet car hire-purchase receivables by considering the loan classification, the value of collaterals and loss rate according to the Bank of Thailand's guidelines which previously the Bank provided allowance for doubtful accounts of hire-purchase receivables by using the collective approach method by considering historical loss experience of loan which are calculated by the probability of default and the percentage of loss given default and made addition allowance for doubtful account based on loan classification according to the Bank of Thailand's guidelines above.

#### 5.1.3 Hire-purchase receivables

The Bank provides allowance for doubtful accounts on hire-purchase loans by using the collective approach method which considers historical loss suffered and is calculated using the probability of default and the percentage of loss given default. Inclusively the Bank adjusted historical loss suffered data for key domestic and international economic factors which may influence repayment abilities of the receivables. Allowance for doubtful hire-purchase receivables made under the collective approach is in line with the BOT's guideline regarding the Classification and Provision Criteria of Financial Institution.

For the six-month period ended June 30, 2013 onward, the Bank sets additional allowance for doubtful accounts from the collective approach to certain classes of receivables in order to be conservative. Formerly, the Bank provides allowance for doubtful accounts for hire-purchase receivables based on the collective approach and additional allowance on hire-purchase receivables was made by considering the difference between outstanding loan value and present value of expected cash flow from receivables or present value of expected cash flow from disposal of the collateralized assets per the BOT's notification.

#### 5.1.4 Securities business receivables

The Bank's subsidiaries operating as a securities company has provided for an allowance for doubtful accounts on securities and derivatives business receivables based on management's review and assessment of the status of individual debtor as well as requirements stated in the Office of the Securities and Exchange Commission's Notifications. Such assessment takes into consideration various factors including the risks involved and the value of collateral. Allowance is made for the estimated losses that might be incurred where the debts are not fully secured and/or there exists a possibility that principal and interest cannot be recovered in full. As such, debtors' classifications and provisions are as follows:

a) Debts classified as loss are:

- 1) Loan balances which the subsidiaries has already made every effort to collect, but remains unpaid and which the subsidiaries has already written off in accordance with the tax law.
- 2) Loan balances which the subsidiaries has forgiven the debt balances.

b) Doubtful debt is defined as the uncollateralized portion of outstanding debt balance which meets the following criteria:

- 1) General loans, troubled financial institution loans, and other loans for which the collateral value is less than outstanding loan balances.
- 2) Installment loans with repayment frequency of less than 3 months and for which principal or interest is overdue for more than 3 months.
- 3) Installment loans with repayments scheduled no less frequently than every 3 months unless there is clear evidence and a high degree of certainty that full repayment will be received.

c) Substandard debt is defined as the collateralized portion of loans which meet the criteria in b).

Loans classified as bad debt will be written off when identified. Provision will be set aside for loans classified as doubtful at not less than 100% of the doubtful debt balance.

The increase or decrease in allowance for doubtful accounts is recorded as expense or decrease in expense during the accounting period.

#### 5.1.5 Impairment of long-term deposit at financial institution

The subsidiaries will treat long-term deposit at financial institution as impaired when such financial institution is facing going concern problems and has default on payment. The subsidiaries' management uses judgment to estimate the loss reserve for deposit at financial institution, based on considering repayment ability and the financial institution plan to restructure its debts.

## 5.2 Valuation of investments in receivables

Fair value of investments in receivables is determined by the net present value of estimated future cash flows from selling of collateral, appraised by an external independent valuer or internal valuer according to the Bank of Thailand's guideline, discounted by interest rate at 7% per annum with the expected selling period of 4 - 5 years but not exceeding the balance in the original contract. The fair values assigned to the investment portfolio are based upon available information and assumptions which do not necessarily represent amounts which might ultimately be realized because of the uncertainty of economic's circumstance which is the significant factor to determine the fair value.



The subsidiaries which are mutual funds that invest in the investments in receivables measured the fair values of the investments in restructured commercial loans based upon net present value of estimated future cash flows (interest rate as identified in restructuring agreements). Fair value of the investments in non-restructured commercial loans is based upon the net present value of estimated future cash flows from sales of collateral, appraised by an external independent valuer or internal valuer according to the Bank of Thailand's guideline, discounted by interest rate at 7% per annum with the expected selling period of 4 - 5 years but not exceeding the balance in the original contract.

For Bangkok Capital Fund and Gamma Capital Fund, fair value of investments in receivables is calculated based upon the net present value of estimated future cash flows from sales of collateral, appraised by an external independent valuer or internal valuer according to the Bank of Thailand's guideline, discounted by yield rate with the expected selling period of 2.4 - 8.4 years but not exceeding the balance in the original contract.

### **5.3 Valuation of investments in properties**

Fair value of investments in properties is calculated from the appraisal value, appraised by an external independent valuer or internal valuer according to the Bank of Thailand guideline, which is discounted according to the holding period. The fair values assigned to the investments portfolio are based upon available information estimates and assumptions which do not necessarily represent amounts which might ultimately be realized because of the uncertainty of economic circumstance which is the significant factor to determine the fair value.

### **5.4 Valuation of properties foreclosed**

Fair value of properties foreclosed-immovable assets is calculated from the appraisal value, appraised by an external independent valuer or internal valuer of the Bank every year, less estimated selling expenses, and the appraisal value is discounted according to the holding period.

The Bank provided allowance for impairment of repossessed vehicles at 100% of their valuation.

For Bangkok Capital Fund and Gamma Capital Fund, fair value of properties foreclosed is calculated from appraisal value, appraised by an external independent valuer or internal valuer of the Bank every year less estimated selling expenses and discounted by the expected rate of return with the expected period to be sold within 2.4 years.

### **5.5 Goodwill**

Goodwill is tested for impairment using a fair value method of present value of estimated future cash flows to be received on an annual basis.

## 6. ADDITIONAL INFORMATION

### 6.1 Supplementary disclosures of cash flow information

Non-cash transactions for the years ended December 31, 2013 and 2012 are as follows;

Unit: Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2013	2012	2013	2012
Transfer of assets for loan settlement	4,148,124	2,106,702	3,822,296	1,970,622
Transfer of investments in receivables to loans	300,916	35,558	300,916	35,558
Increase (decrease) in fair value reserves on investments in receivables	12,356	(69,312)	(19,149)	(2,298)
Increase (decrease) in fair value reserves on available-for-sale securities	(661,661)	79,568	(120,181)	73,644
Issuance of new ordinary shares for share swap with Phatra Capital (see Note 6.5.1)	-	-	-	7,166,837

### 6.2 Interbank and money market items, net (assets)

Interbank and money market items, net (assets) as at December 31, 2013 and 2012 are as follows;

Unit: Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS					
	2013			2012		
	On demand	Term	Total	On demand	Term	Total
<b>Domestic</b>						
The Bank of Thailand and FIDF	1,678,996	-	1,678,996	2,881,467	-	2,881,467
Commercial Banks	3,439,651	3,550,000	6,989,651	1,178,402	1,300,000	2,478,402
Special purpose financial institutions	1,042,472	-	1,042,472	531,425	-	531,425
Other financial institutions	-	-	-	625,000	-	625,000
Total	6,161,119	3,550,000	9,711,119	5,216,294	1,300,000	6,516,294
Add Accrued interest receivables	-	2,975	2,975	-	632	632
Less Allowance for doubtful accounts	(11,000)	-	(11,000)	(6,250)	-	(6,250)
Total Domestic item	6,150,119	3,552,975	9,703,094	5,210,044	1,300,632	6,510,676
<b>Foreign</b>						
US Dollar	25,190	-	25,190	10,521	-	10,521
Euro	-	-	-	2,112	-	2,112
Yuan	322	-	322	-	990,532	990,532
Other currency	-	-	-	9,814	-	9,814
Total	25,512	-	25,512	22,447	990,532	1,012,979
Add Accrued interest receivables	-	-	-	-	1,621	1,621
Total foreign item	25,512	-	25,512	22,447	992,153	1,014,600
Total	6,175,631	3,552,975	9,728,606	5,232,491	2,292,785	7,525,276

Unit: Thousand Baht

THE BANK'S FINANCIAL STATEMENTS						
	2013			2012		
	On demand	Term	Total	On demand	Term	Total
<b>Domestic</b>						
The Bank of Thailand and FIDF	1,678,996	-	1,678,996	2,881,467	-	2,881,467
Commercial Banks	434,271	3,550,000	3,984,271	411,509	1,300,000	1,711,509
Other financial institutions	600,000	-	600,000	625,000	-	625,000
Total	2,713,267	3,550,000	6,263,267	3,917,976	1,300,000	5,217,976
Add Accrued interest Receivables	-	2,975	2,975	-	632	632
Less Allowance for doubtful accounts	(11,000)	-	(11,000)	(6,250)	-	(6,250)
Total Domestic item	2,702,267	3,552,975	6,255,242	3,911,726	1,300,632	5,212,358
<b>Foreign</b>						
US Dollar	-	-	95	-	-	-
Yuan	322	-	322	-	990,532	990,532
Add Accrued interest receivables	-	-	-	-	1,621	1,621
Total foreign item	417	-	417	-	992,153	992,153
Total	2,702,684	3,552,975	6,255,659	3,911,726	2,292,785	6,204,511

## 6.3 Derivatives

### 6.3.1 Derivatives

Derivatives for trading as at December 31, 2013 and 2012 are as follows;

Unit: Thousand Baht

CONSOLIDATED FINANCIAL STATEMENTS						
Type Risk	2013			2012		
	Fair value		Notional Amount	Fair value		Notional Amount
	Assets	Liabilities		Assets	Liabilities	
Exchange rate	144,315	131,171	8,731,397	-	-	-
Interest rate	46,740	71,422	26,289,000	-	-	-
Equity price	82,264	381,517	2,414,217	5,637	7,931	1,544,283
Total	273,319	584,110	37,434,614	5,637	7,931	1,544,283

Unit: Thousand Baht

THE BANK'S FINANCIAL STATEMENTS						
Type Risk	2013			2012		
	Fair value		Notional Amount	Fair value		Notional Amount
	Assets	Liabilities		Assets	Liabilities	
Exchange rate	144,315	131,171	8,731,397	-	-	-
Interest rate	46,740	71,422	26,289,000	-	-	-
Total	191,055	202,593	35,020,397	-	-	-

Derivatives for hedging as at December 31, 2013 and 2012 are as follows;

Unit: Thousand Baht

Type Risk	CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS					
	2013			2012		
	Fair value		Notional Amount	Fair value		Notional Amount
	Assets	Liabilities		Assets	Liabilities	
Exchange rate	100,242	50,005	1,518,719	81,948	-	2,508,429
Total	100,242	50,005	1,518,719	81,948	-	2,508,429

6.3.2 As at 31 December 2013 and 2012, the proportion, determined based on the notional amount, of derivatives transactions divided by type of counterparty is as follows;

Counterparty	CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS	
	2013	2012
	Proportion (%)	Proportion (%)
Financial institutions	94	-
Third parties	6	100
Total	100	100

## 6.4 Investments in securities, net

### 6.4.1 Classification of investments in securities

As at December 31, 2013 and 2012, the Bank and its subsidiaries classify their investments in securities as follows;

Unit: Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2013	2012	2013	2012
	Fair value	Fair value	Fair value	Fair value
<b>Trading securities</b>				
Government and state enterprise securities	1,941,594	-	1,941,594	-
Domestic marketable equity securities	6,402,448	4,118,191	-	-
Foreign marketable equity securities	-	971	-	-
Total	8,344,042	4,119,162	1,941,594	-
<b>Available-for-sale securities</b>				
Government and state enterprise securities	15,441,845	29,912,667	14,593,369	25,607,992
Private sector's debt securities	30,182	217,374	30,182	217,374
Foreign debt securities	1,506,804	1,507,087	1,506,804	1,507,087
Domestic marketable equity securities	1,402,438	1,642,824	11,644	128,184
Foreign marketable equity securities	215,432	194,587	-	-
Total	18,596,701	33,474,539	16,141,999	27,460,637

Unit: Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2013	2012	2013	2012
	Cost	Cost	Cost	Cost
<b>General investment</b>				
Domestic non-marketable equity securities	57,235	32,258	13,771	13,774
Less Allowance for impairment	(27,267)	(2,121)	(2,287)	(2,120)
Total	29,968	30,137	11,484	11,654
<b>Total investments in securities, net</b>	<b>26,970,711</b>	<b>37,623,838</b>	<b>18,095,077</b>	<b>27,472,291</b>

## 6.4.2 Investments in securities with holdings of 10% upwards

As at December 31, 2013 and 2012, investments in securities in which the Bank hold 10% upwards of the paid-up capital in each entity, classified by industry are as follows;

CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS			
	Business type	2013	
		Investment amount at cost Baht	Holding (%)
<u>Other companies</u>			
BTMU Leasing (Thailand) Co., Ltd.	Leasing	3,085,200	10.00
CMIC Development Co., Ltd.*	Real estate	1	80.58

CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS			
	Business type	2012	
		Investment amount at cost Baht	Holding (%)
<u>Other companies</u>			
BTMU Leasing (Thailand) Co., Ltd.	Leasing	3,085,200	10.00
CMIC Development Co., Ltd.*	Real estate	1	80.58

\* The consolidated financial statements for the year ended December 31, 2013 and 2012 do not include the financial statements of CMIC Development Co., Ltd. which the Bank holds 80.58% of common shares since the shares were received from conversion of debts to equity according to the debt restructuring agreement and the Bank has intended to hold these investments temporarily and has no control.

## 6.5 Investments in subsidiaries, net

As at December 31, 2013 and 2012, the Bank has investments in subsidiaries as follows;

		THE BANK'S FINANCIAL STATEMENTS					Unit: Thousand Baht
	Business type	Securities investment type	Paid-up capital/ outstanding capital	2013		Holding (%)	Dividend received ****
				Cost	Cost method Impairment	Net balance	
Phatra Capital PCL.	Holding Company	Ordinary shareholder	1,051,551	7,169,854	-	7,169,854	-
Erawan Law Office Co., Ltd.	Law office	Ordinary shareholder	1,000	999	-	999	-
Asia Recovery 1 Fund	Investments*	Unit trust	216,658	223,687	-	223,687	-
Asia Recovery 2 Fund	Investments*	Unit trust	910,084	953,609	-	953,609	-
Asia Recovery 3 Fund	Investments*	Unit trust	801,216	845,748	-	845,748	-
Thai Restructuring Fund	Investments*	Unit trust	683,380	676,328	-	676,328	296,729
Asia Recovery Property Fund 1	Investments**	Unit trust	53,400	54,832	(2,084)	52,748	-
Asia Recovery Property Fund 3	Investments***	Unit trust	933,405	941,000	-	941,000	-
Bangkok Capital Fund	Investments*	Unit trust	349,887	1,832,544	-	1,832,544	1,531,489
Gamma Capital Fund	Investments*	Unit trust	281,832	1,272,393	-	1,272,393	470,143
				13,970,994	(2,084)	13,968,910	2,298,361

\* Investments in commercial loans auctioned from Financial Restructuring Authority (FRA).

\*\* Investments in receivables, which have properties as collateral, or properties

\*\*\* Investments in receivables or properties

\*\*\*\* Dividend received for the year ended December 31, 2013



Unit: Thousand Baht

## THE BANK'S FINANCIAL STATEMENTS

2012

Business type	Securities investment type	Paid-up capital/ outstanding capital	Cost method			Holding (%)	Dividend received ****
			Cost	Impairment	Net balance		
Holding Company	Ordinary shareholder	1,051,551	7,166,837	-	7,166,837	99.93	-
Securities	Ordinary shareholder	650,000	650,000	-	650,000	99.99	265,200
Law office	Ordinary shareholder	1,000	999	-	999	99.93	-
Investments*	Unit trust	262,382	270,895	(15,429)	255,466	99.95	-
Investments*	Unit trust	968,015	1,014,311	(102,021)	912,290	99.59	-
Investments*	Unit trust	807,816	852,715	-	852,715	99.97	-
Investments*	Unit trust	686,249	679,167	-	679,167	98.91	-
Investments**	Unit trust	53,400	54,832	(6,021)	48,811	99.52	-
Investments***	Unit trust	933,405	941,000	-	941,000	98.77	351,228
Investments*	Unit trust	361,544	1,893,595	-	1,893,595	95.72	-
Investments*	Unit trust	296,140	1,336,990	-	1,336,990	94.03	-
			14,861,341	(123,471)	14,737,870		616,428

\* Investments in commercial loans auctioned from Financial Restructuring Authority (FRA).

\*\* Investments in receivables, which have properties as collateral, or properties

\*\*\* Investments in receivables or properties

\*\*\*\* Dividend received for the year ended December 31, 2012

#### 6.5.1 Merger with Phatra Capital Public Company Limited

The Memorandum of Agreement (the "MOA") for the Merger with Phatra Capital Public Company Limited ("Phatra Capital") was approved and announced by the Bank on December 9, 2011. The cooperation aimed to jointly establish the financial businesses, consisting of commercial banking, securities, and other supporting businesses together. This collaboration has been agreed in respect of both existing and new businesses focusing in; High Net-Worth Client Business, Finance and Debt Instruments for Medium and Large Enterprises, Derivatives Business, Investment Business, Fund Management Business, and Securities Business for Retail Investors.

The merger will occur through a share swap at the ratio of 1 Phatra Capital share to 0.9135 Kiatnakin Bank share. The Bank will make a delisting tender offer to purchase all securities of Phatra Capital from all of its shareholders. Accordingly, this will result in the delisting of Phatra Capital from the Stock Exchange of Thailand ("SET"). Nevertheless, in order for the offer to be successful at the end of the delisting tender offer period at least the shareholders of 75% of Phatra Capital issued and paid-up shares must accept the offer. If the offer is accepted by more than 90%, the Bank will transfer all shares in KKTRADE Securities Company Limited ("KKTRADE") and Phatra Fund Management Company Limited ("Phatra Asset") held by the Bank to Phatra Capital.

Subsequently, on February 27, 2012, the Bank's Board of Directors approved the Bank to enter into an agreement among major shareholders of the Bank, the Bank, major shareholders of Phatra Capital, and Phatra Capital for the purchase of Phatra Capital shares held by Phatra Capital's major shareholders.

At the 2012 Annual General Meeting of Shareholder ("AGM") held on April 26, 2012, the merger plan with Phatra Capital was unanimously approved by the Bank's shareholders. As part of the merger plan, utilization of personnel capabilities and experience from both organizations are necessary in order to achieve synergy. Thus, the AGM approved the appointment of 5 additional directors to the Bank's Board of Directors resulting in the Bank's Board of Directors to consist of 15 directors. The Bank allocated 192,118,404 newly issued ordinary shares of the Bank, at par value of Baht 10 per share, and an offer price of Baht 32.20 per share through a PO placement to Phatra Capital's shareholders in consideration for their acceptance of the tender offer.

On August 6, 2012, the Bank submitted a tender offer to purchase all of Phatra Capital's securities to delist Phatra Capital's securities from the Stock Exchange of Thailand ("SET") to the Securities and Exchange Commission, SET, Phatra Capital's Board of Directors and shareholders.

In accordance with the tender offer, the Bank will issue and offer its new ordinary shares as consideration to Phatra Capital's shareholders who accept the tender offer at a swap ratio of 1 Phatra Capital share to 0.9135 Kiatnakin Bank share. The tender offer period will last for 25 business days from August 7, 2012 to September 11, 2012.

In all, shareholders of 99.93% of Phatra Capital's issued and paid-up shares of 210,310,240 shares accepted the Bank's tender offer. The Bank was able to acquire 210,158,842 shares in Phatra Capital at par value of Baht 5 per share. This resulted in an issuance of the Bank's 191,979,745 shares at par value of Baht 10, and share premium totaling 5,247,039,575 resulting in total issued and paid-up share capital of 828,783,959 shares. The Bank registered the capital increase with the Ministry of Commerce on September 13, 2012. Newly issued shares were first traded in the SET on September 25, 2012 which was the same day that Phatra Capital's securities were delisted from SET.

As shareholders of more than 90% of Phatra Capital's issued and paid-up shares accepted the Bank's tender offer, Phatra Capital became the Bank's subsidiary. In keeping with the MOA between the Bank and Phatra Capital, the Bank will transfer all of the Bank's shares in KKTRADE (at book value) and Phatra Asset (at cost) to Phatra Capital later. (See Note 6.5.2 and Note 6.5.4)

As at September 11, 2012, the book value and the best estimated fair value of each item of identified assets and liabilities of Phatra Capital are as follows;

Unit: Thousand Baht

		CONSOLIDATED FINANCIAL STATEMENTS
		Book value and Fair value
<b>Assets</b>		
Cash		21
Deposits at financial institutions		1,094,444
Derivatives assets		4,637
Investments in securities, net		3,836,018
Land premises and equipment, net		416,047
Intangible asset, net		26,043
Deferred tax assets		21,571
Securities and derivative business receivables		4,385,053
Accounts receivable from clearing house		276,570
Others asset		229,304
Total		10,289,708
<b>Liabilities</b>		
Accounts payable to clearing house		475,141
Securities and derivative business payables		3,725,879
Derivatives liabilities		8,399
Debt issued and borrowings		1,362,391
Provisions		87,227
Deferred tax liabilities		124,549
Other liabilities		340,584
Total		6,124,170
Net assets		4,165,538
<u>Less</u> Non-controlling interest of subsidiary		(8,664)
Net assets attributed to the parent company		4,156,874
Goodwill		3,009,963
Ordinary shares issued for share purchase		7,166,837

On the merger day, goodwill amounting to Baht 4,728 million arose in the consolidated financial statements. Goodwill was derived from the difference in value of consideration transferred, that was the number of shares issued multiplied by the Bank's share price of Baht 46.50 per share on the last day of the tender offer, compared to the fair value of identifiable assets and liabilities. Subsequently, the goodwill has been adjusted to Baht 3,010 million as described hereunder.

As at December 31, 2012, the Bank has adjusted fair value of the consideration transferred for the initial recognition of purchasing of investment in Phatra Capital based on the question and answer guideline regarding accounting issue of business combination by shares swap announced by the Federation of Accounting Professions ("FAP") on February 12, 2013. As the market price of consideration transferred at the date of share swap was significantly higher than market price at the date of the share swap agreement, therefore, the Bank recorded high amount of investment in the separate financial statements and goodwill in the consolidated financial statements was significantly higher than the synergy resulted from the share swap between the acquirer and the acquiree after business combination. The excess amount in goodwill was not derived from the management control of operations which would lead to synergy as a result of the business combination, but was derived from capital market reaction to share swap news between the Bank and Phatra Capital and from significant growth of the stock market during such period which was out of control of the Bank's management. With reference to the Basis of Conclusion of International Financial Reporting Standard No. 3 "Business Combination", the acquirer, which in this case is the Bank, is required to make every effort to measure the fair value of consideration transferred accurately by eliminating or reducing the recording of excess value resulted from the discrepancy in measurement of the consideration transferred. In addition, under capital maintenance concept specified in the Accounting Framework, it gives the importance in distinguishing between the reward from investment and the results from investment. Thai Accounting Standards Board has viewed that the goodwill which is higher than the expected synergy after business combination is not in the scope of the rewards of investment and the results from the investment. As a result, the Bank remeasured the fair value of the consideration transferred to reduce the recording of excess value resulted from the aforementioned discrepancy in the measurement. The Bank remeasured the fair value based on the fair value of the shareholder's equity of Phatra Capital plus the share swap synergy between the Bank and Phatra Capital after business combination and took into consideration the market price of the Bank's stock in the period of the shares swap agreement. The remeasurement of such fair value resulted in the Bank's adjustment to reduce the investment value and share premium in the separate financial statements and goodwill and share premium in the consolidated financial statement at the date of shares swap in the same amount of Baht 1,760.22 million.

In compliance with the accounting standard, impairment testing on goodwill arising from the merger will be performed at the same time annually. If impairment arises, it will be expensed into the statement of comprehensive income immediately. Corporate income tax in the consolidated financial statements will not be affected. As for the separated financial statements, the BOT have specified through their approval notification regarding the purchase of Phatra Capital that goodwill arising from investment in Phatra Capital shall be deducted from the Bank's Tier 1 Capital Fund.

In preparing consolidated financial statements for the year ended December 31, 2012, operating performance of Phatra Capital and Phatra Securities Public Company Limited ('Phatra Securities') from September 12, 2012 onwards have been consolidated. Between the merger date and December 31, 2012 Phatra Capital's income of Baht 1,027.28 million and net profit of Baht 403.13 million are considered as part of the Group's operating performance.

#### 6.5.2 Acquisition and disposal of investment in Phatra Fund Management Co., Ltd.

On September 7, 2012, the Bank's Board of Directors Meeting No. 7/2555, passed a resolution to purchase additional shares in the ratio of 40% of total issued and paid-up shares of Phatra Fund Management Co., Ltd. from Government Pension Fund ("GPF"). On September 28, 2012 the Bank and GPF had successfully completed the transaction with cash settlement and share transfer already.

As at September 28, 2012, the book value and fair value of each identified assets and liabilities of subsidiary were as follows;

Unit: Thousand Baht

		<b>CONSOLIDATED FINANCIAL STATEMENTS</b>
		<b>Book value and Fair value</b>
<b>Assets</b>		
Cash		4
Deposits at financial institutions		6,418
Investments in securities, net		28,875
Equipment, net		2,346
Intangible asset, net		4,451
Others asset		6,296
Total		48,390
Liabilities		4,608
Net assets		43,782
Goodwill		19,256
Cash payment for share purchase		63,038

The difference between book value and fair value was insignificant.

On December 28, 2012, the Bank completed selling the shares of Phatra Fund Management Co., Ltd. ("Phatra Asset") to Phatra Capital Public Company Limited ("Phatra Capital") in accordance with the merger plan between the Bank and Phatra Capital which stated that if the tender offer was more than 90% of Phatra Capital's paid-up shareholders, the Bank would entirely transfer its shares of Phatra Asset at cost to Phatra Capital. At the end of tender offer period, the Bank hold 99.93% of total shares of Phatra Capital; therefore, the Bank transferred 11,999,998 shares of Phatra Asset's ordinary shares with par value of Baht 10 per share or equal to 99.99% of Phatra Asset's paid-up shares at the selling price which equal the Bank's purchase price of Phatra Asset amounting to Baht 156,638,213.74. After the share's selling, Phatra Asset still remains as the Bank's subsidiary, in which the Bank holds its shares indirectly through Phatra Capital.

### 6.5.3 Reduction of the capital of the mutual funds

According to the Notification of the Capital Market Supervisory Board No. Thor Nor. 22/2552: Rules, Conditions and Procedures for Establishment and Management of Mutual Funds for Solving Financial Institutions Problems which was amended by the Notification of the Capital Market Supervisory Board No. Thor Nor. 10/2553, it specified that in case management company of the funds ("the asset management company") has already acquired, by way of debt repayment, property from foreclosure of the mortgage, or public auction in the category which a mutual fund cannot invest or possess prior to March 1, 2006, the asset management company shall dispose of such property when the first opportunity arises by taking into account the best interest of unitholders, but in any case no later than December 31, 2010 and that of the capital reduction of the mutual fund by pay-in-kind whether in whole or in part to be approved by the unanimous resolution of unitholders, the asset management company must reduce the number of units and transfer the non-cash assets and cash (if any) to the unitholders.

As the asset management company could not dispose of such assets within December 31, 2010, thus it proceeded with the capital reduction of the mutual fund, which obtained the unanimous resolutions from unitholders, by pay-in-kind assets to the Bank and pay in cash to other unitholders.

During the year 2012, from the capital reduction of 5 mutual funds which consisted of Asia Recovery 2 Fund, Asia Recovery 3 Fund, Thai Restructuring Fund, Bangkok Capital Fund and Gamma Capital Fund, the Bank had received the pay-in-kind properties foreclosed in the amount of Baht 424.68 million, which resulted in loss from capital reduction in the amount of Baht 24.94 million and deferred gain from capital reduction in the amount of Baht 80.93 million. However, the Bank will be recognize deferred gain from capital reduction when properties foreclosed transferred are sold.

For the year ended December 31, 2013, from the capital reduction of 5 mutual funds which consist of Asia Recovery 2 Fund, Asia Recovery 3 Fund, Thai Restructuring Fund, Bangkok Capital Fund and Gamma Capital Fund, the Bank has received the pay-in-kind properties foreclosed in the amount of Baht 275.17 million, which results in loss from capital reduction in the amount of Baht 4.62 million and deferred gain from capital reduction in the amount of Baht 83.63 million. However, the Bank will be recognize deferred gain from capital reduction when properties foreclosed transferred are sold.

During the year ended December 31, 2013, the Bank has been transferred the rights and ownership of the property foreclosed from the mutual funds. However, there are 2 items of property foreclosed with total cost of Baht 18.73 million, which are under the registration process to transfer the ownership. According to the Notification of the Capital Market Supervisory Board No. Thor Nor. 22/2552: Rules, Conditions and Procedures for Establishment and Management of Mutual Funds for Solving Financial Institution Problems, the asset management company shall submit the registration of capital reduction to the Securities and Exchange Commission within five business days after reducing the number of investment units of each unit holder and make payment with other assets or cash to unit holders whose name appears on the register book as of the closing date.

However, as at December 31, 2013, the asset management company has already reported such matter to the Securities and Exchange Commission.

#### 6.5.4 Disposal of investment in KKTRADE Securities Co., Ltd.

On January 2, 2013, the Bank completed selling the shares of KKTRADE Securities Co., Ltd (“KKTRADE”) to Phatra Capital Public Company Limited (“Phatra Capital”) in accordance with the merger plan between the Bank and Phatra Capital which stated that if the tender offer is accepted by more than 90% of Phatra Capital's paid-up shareholders, the Bank will entirely transfer its shares of KKTRADE at book value to Phatra Capital.

At the end of tender offer period, the Bank hold 99.93% of total shares of Phatra Capital. Therefore, the Bank transferred 64,999,993 shares of KKTRADE's ordinary shares with a par value of Baht 10 per share or equal to 99.99% of KKTRADE's paid-up shares at the selling price which equal to the book value of KKTRADE's financial statements as at December 31, 2012, amounting to Baht 715,531,574.84. After the transaction, KKTRADE still remains as the Bank's subsidiary, in which the Bank holds its shares indirectly through Phatra Capital.

#### 6.5.5 Change name of Kiatnakin Fund Management Co., Ltd. and Kiatnakin Securities Co., Ltd.

As a result of the merger between the Bank and Phatra Capital Public Company Limited taken place in September, 2012, “Kiatnakin Phatra Financial Group” (“the Group”) has been established with objective to provide both commercial banking and capital market products and services. In order to align the Group's businesses with the new strategy and direction. Kiatnakin Phatra Financial Group decided to change name of the two company in group are as follow; Kiatnakin Fund Management Company Limited (“KKF”) changed name to Phatra Asset Management Company Limited (“Phatra Asset”) which effective since August 1, 2013 onwards and Kiatnakin Securities Company Limited (“KKS”) changed name to KKTRADE Securities Company Limited (“KKTRADE”) which effective since August 9, 2013 onwards.



## 6.6 Investments in receivables, net

As at December 31, 2013 and 2012, the details of investments in receivables auctioned from the Financial Restructuring Authority ("FRA"), the Legal Execution Department ("LED") and other companies are as follows;

Unit: Thousand Baht

Purchase date	CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS			
	2013			
	Number of debtors	Outstanding balance per original and renewed agreements	Cost	Fair value
<u>Kiatnakin Bank Public Company Limited</u>				
Receivables auctioned from FRA				
September 30, 1999	312	2,209,019	240,659	142,348
December 15, 1999	158	427,441	9,421	10,621
Receivables purchased				
January 2009 - December 2013	3	110,687	73,158	61,096
Receivables auctioned from LED	1,282	12,281,674	1,253,680	965,252
	1,755	15,028,821	1,576,918	1,179,317
<u>Subsidiaries (Fund)</u>	2,991	53,074,873	1,873,910	2,705,388
Total	4,746	68,103,694	3,450,828	3,884,705

Unit: Thousand Baht

Purchase date	CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS			
	2012			
	Number of debtors	Outstanding balance per original and renewed agreements	Cost	Fair value
<u>Kiatnakin Bank Public Company Limited</u>				
Receivables auctioned from FRA				
September 30, 1999	315	2,250,115	273,892	171,260
December 15, 1999	161	444,797	12,213	13,647
Receivables purchased				
January 2009 - December 2012	8	490,473	411,046	438,433
Receivables auctioned from LED	1,298	12,262,631	1,304,539	1,019,301
	1,782	15,448,016	2,001,690	1,642,641
<u>Subsidiaries (Fund)</u>	3,069	54,252,637	2,288,601	3,083,704
Total	4,851	69,700,653	4,290,291	4,726,345

## 6.7 Loans to customers and accrued interest receivables, net

### 6.7.1 Classified by product as at December 31, 2013 and 2012.

Unit: Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2013	2012	2013	2012
<u>Loans</u>				
Overdrafts	896,228	813,867	896,228	813,867
Loans	48,223,169	39,198,622	50,023,169	40,048,622
Bills	51,690	41,765	51,690	41,765
Hire-purchase receivables	163,240,125	149,455,475	163,240,125	149,455,475
Leasing receivables	993,286	750,712	993,286	750,712
<u>Less</u> Deferred revenue	(23,215,481)	(21,872,843)	(23,215,481)	(21,872,843)
Total loans net of deferred revenue	190,189,017	168,387,598	191,989,017	169,237,598
<u>Add</u> Accrued interest receivables	1,246,508	1,008,073	1,254,563	1,008,073
Total loans and accrued interest receivables net of deferred revenue	191,435,525	169,395,671	193,243,580	170,245,671
<u>Less</u> Allowance for doubtful accounts				
1. Minimum allowance per BOT guideline				
- Individual Approach	(1,208,734)	(1,003,194)	(1,226,734)	(1,011,694)
- Collective Approach	(2,638,163)	(3,362,284)	(2,638,163)	(3,362,284)
2. Surplus reserve	(3,398,352)	(1,772,025)	(3,380,352)	(1,763,525)
<u>Less</u> Allowance for troubled debt restructuring	(23,415)	(27,789)	(23,415)	(27,789)
Net loans to customers and accrued interest receivables	184,166,861	163,230,379	185,974,916	164,080,379
<u>Securities business receivables</u>				
Margin accounts	608,118	600,136	-	-
Other receivables	6,365	6,301	-	-
Total securities business receivables	614,483	606,437	-	-
<u>Add</u> Accrued interest receivables	3,504	2,523	-	-
<u>Less</u> Allowance for doubtful accounts	(6,399)	(6,399)	-	-
Net securities business receivables and accrued interest receivables	611,588	602,561	-	-
Total loans to customers and accrued interest receivables, net	184,778,449	163,832,940	185,974,916	164,080,379

Deferred interest revenue of hire-purchase and finance lease contracts are stated net of commissions and direct expenses incurred at the initiation of the contracts.

### 6.7.2 Classified by currency and residence of customers as at December 31, 2013 and 2012.

Unit: Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2013	2012	2013	2012
Baht - Domestic	190,803,500	168,994,035	191,989,017	169,237,598
Total loans	190,803,500	168,994,035	191,989,017	169,237,598

## 6.7.3 Classified by business type and loans classification as at December 31, 2013 and 2012.

Unit: Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS					
	2013					
	Normal	Special mention	Substandard	Doubtful	Doubtful loss	Total
Agriculture and mining	25,588	3,444	500	-	-	29,532
Manufacturing and commerce	5,830,439	293,507	87,496	219,937	136,912	6,568,291
Property development and construction	32,092,542	1,440,172	778,856	653,344	2,079,335	37,044,249
Public utilities and services	713,229	21,753	4,397	6,143	21,281	766,803
Housing loans	202,817	26,938	24,107	50,055	152,862	456,779
Hire-purchase loans	121,047,000	16,264,495	1,392,502	1,154,961	276,878	140,135,836
Leasing loans	836,336	12,365	25,703	-	8,611	883,015
Others	4,414,692	295,690	66,538	61,144	80,931	4,918,995
Total loans	165,162,643	18,358,364	2,380,099	2,145,584	2,756,810	190,803,500
Accrued interest receivables	981,899	268,015	-	-	98	1,250,012
Total	166,144,542	18,626,379	2,380,099	2,145,584	2,756,908	192,053,512

Unit: Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS					
	2012					
	Normal	Special mention	Substandard	Doubtful	Doubtful loss	Total
Agriculture and mining	23,618	760	-	-	-	24,378
Manufacturing and commerce	5,977,149	76,552	10,565	40,889	127,463	6,232,618
Property development and construction	24,152,661	990,253	530,142	145,280	2,336,713	28,155,049
Public utilities and services	775,977	13,481	430	13,997	23,297	827,182
Housing loans	215,110	67,497	23,816	40,410	176,559	523,392
Hire-purchase loans	112,721,911	12,967,509	1,119,510	618,296	237,909	127,665,135
Leasing loans	651,543	9,329	-	-	8,611	669,483
Others	4,431,519	291,621	35,376	37,155	101,127	4,896,798
Total loans	148,949,488	14,417,002	1,719,839	896,027	3,011,679	168,994,035
Accrued interest receivables	779,955	230,543	-	-	98	1,010,596
Total	149,729,443	14,647,545	1,719,839	896,027	3,011,777	170,004,631

Unit: Thousand Baht

THE BANK'S FINANCIAL STATEMENTS						
2013						
	Normal	Special mention	Substandard	Doubtful	Doubtful loss	Total
Agriculture and mining	25,588	3,444	500	-	-	29,532
Manufacturing and commerce	5,830,439	293,507	87,496	219,937	136,912	6,568,291
Property development and construction	32,092,542	1,440,172	778,856	653,344	2,079,335	37,044,249
Public utilities and services	713,229	21,753	4,397	6,143	21,281	766,803
Housing loans	202,817	26,938	24,107	50,055	152,862	456,779
Hire-purchase loans	121,047,000	16,264,495	1,392,502	1,154,961	276,878	140,135,836
Leasing loans	836,336	12,365	25,703	-	8,611	883,015
Others	5,606,510	295,690	66,538	61,144	74,630	6,104,512
Total loans	166,354,461	18,358,364	2,380,099	2,145,584	2,750,509	191,989,017
Accrued interest receivables	986,548	268,015	-	-	-	1,254,563
Total	167,341,009	18,626,379	2,380,099	2,145,584	2,750,509	193,243,580

Unit: Thousand Baht

THE BANK'S FINANCIAL STATEMENTS						
2012						
	Normal	Special mention	Substandard	Doubtful	Doubtful loss	Total
Agriculture and mining	23,618	760	-	-	-	24,378
Manufacturing and commerce	5,977,149	76,552	10,565	40,889	127,463	6,232,618
Property development and construction	24,152,661	990,253	530,142	145,280	2,336,713	28,155,049
Public utilities and services	775,977	13,481	430	13,997	23,297	827,182
Housing loans	215,110	67,497	23,816	40,410	176,559	523,392
Hire-purchase loans	112,721,911	12,967,509	1,119,510	618,296	237,909	127,665,135
Leasing loans	651,543	9,329	-	-	8,611	669,483
Others	4,681,383	291,621	35,376	37,155	94,826	5,140,361
Total loans	149,199,352	14,417,002	1,719,839	896,027	3,005,378	169,237,598
Accrued interest receivables	777,530	230,543	-	-	-	1,008,073
Total	149,976,882	14,647,545	1,719,839	896,027	3,005,378	170,245,671

## 6.7.4 Classification of loans and allowance as at December 31, 2013 and 2012.

Unit: Thousand Baht

Loans classification	CONSOLIDATED FINANCIAL STATEMENTS			
	2013			
	Loans outstanding and interest receivables	Net balance used for allowance	Rate used for allowance (%)	Allowance for doubtful accounts
Normal				
Loans <sup>(1)</sup>	44,509,613	9,965,371	1.00	99,617
Hire-purchase receivables-fleet	5,637,323	5,593,548	1.00	55,936
Hire-purchase receivables	115,997,606	115,435,453	0.68	782,934
Special mention				
Loans <sup>(1)</sup>	2,109,382	591,152	2.00	9,238
Hire-purchase receivables-fleet	449,815	443,771	2.00	8,875
Hire-purchase receivables	16,067,182	15,820,724	6.79	1,074,310
Substandard				
Loans	987,597	150,465	100.00	150,465
Hire-purchase receivables-fleet	48,755	48,755	100.00	48,755
Hire-purchase receivables	1,343,747	1,343,747	23.63	317,521
Doubtful				
Loans	990,623	240,805	100.00	240,805
Hire-purchase receivables-fleet	9,991	9,991	100.00	9,991
Hire-purchase receivables	1,144,970	1,144,970	23.77	272,117
Doubtful loss				
Loans	2,480,030	732,508	100.00	732,508
Hire-purchase receivables-fleet	3,164	3,164	100.00	3,164
Hire-purchase receivables	273,714	273,714	23.59	64,560
Total loans and accrued interest receivables	192,053,512	151,798,138		3,870,796
Additional allowance for some doubtful accounts				2,152,752
General reserve				1,228,100
Total				7,251,648

<sup>(1)</sup> Allowance for doubtful accounts on troubled debt restructured receivables have been wholly presented in allowance for troubled debt restructuring.

Unit: Thousand Baht

Loans classification	CONSOLIDATED FINANCIAL STATEMENTS						
	2012						
	Loans outstanding and interest receivables	Net balance used for allowance	Rate used for allowance (%)	Allowance for doubtful accounts	Rate per BOT's guideline (%)	Increase (Decrease) allowance for doubtful accounts per BOT (2)	Total allowance for doubtful accounts per BOT's guideline
Normal							
Loans <sup>(1)</sup>	36,462,446	8,609,993	1.00	85,016	1.00	-	85,016
Hire-purchase receivables-fleet	5,255,237	5,230,311	1.00	52,303	1.00	-	52,303
Hire-purchase receivables	108,011,760	107,491,600	1.00	1,074,916	1.00	-	1,074,916
Special mention							
Loans <sup>(1)</sup>	1,478,049	270,953	2.00	5,411	2.00	-	5,411
Hire-purchase receivables-fleet	305,229	302,173	5.62	16,991	2.00	(10,948)	6,043
Hire-purchase receivables	12,864,267	12,665,337	5.62	712,162	2.00	(458,855)	253,307
Substandard							
Loans	600,329	42,829	100.00	42,829	100.00	-	42,829
Hire-purchase receivables-fleet	31,421	31,421	23.02	7,232	100.00	24,189	31,421
Hire-purchase receivables	1,088,089	1,088,089	23.02	250,424	100.00	837,665	1,088,089
Doubtful							
Loans	277,731	89,855	100.00	89,855	100.00	-	89,855
Hire-purchase receivables-fleet	6,584	6,584	23.00	1,514	100.00	5,070	6,584
Hire-purchase receivables	611,712	611,712	23.00	140,674	100.00	471,038	611,712
Doubtful loss							
Loans	2,773,868	787,702	100.00	786,482	100.00	-	786,482
Hire-purchase receivables-fleet	1,736	1,736	100.00	1,736	100.00	-	1,736
Hire-purchase receivables	236,173	236,173	100.00	236,173	100.00	-	236,173
Total loans and accrued interest receivables	170,004,631	137,466,468		3,503,718		868,159	4,371,877
Additional allowance for some doubtful accounts				1,348,925		-	1,348,925
General reserve				423,100		-	423,100
Total				5,275,743		868,159	6,143,902

<sup>(1)</sup> Allowance for doubtful accounts on troubled debt restructured receivables have been wholly presented in allowance for troubled debt restructuring.

<sup>(2)</sup> The Bank provides allowance for doubtful accounts on hire-purchase receivables by using the Collective Approach method. In addition, the Bank considers the additional allowance for doubtful accounts on hire-purchase receivables in order to comply with the Bank of Thailand's Notification dated August 3, 2008 by considering the valuation of collateral regarding the Bank of Thailand's guideline. The Bank provided the allowance for doubtful accounts on substandard, doubtful and doubtful loss hire-purchase receivables at the rate of 100% for the differences between the carrying amounts and net present value of estimated future cash flow from selling of collaterals which discounted for the holding period according to the Bank of Thailand's guideline. Except the normal and special mention loans, the Bank provided the allowance for doubtful accounts at the rate of 1% and 2%, respectively (see Note 5.1.3).

Unit: Thousand Baht

Loans classification	THE BANK'S FINANCIAL STATEMENTS			
	2013			
	Loans outstanding and interest receivables	Net balance used for allowance	Rate used for allowance (%)	Allowance for doubtful accounts
Normal				
Loans <sup>(1)</sup>	45,706,080	10,015,371	1.00	100,117
Hire-purchase receivables-fleet	5,637,323	5,593,548	1.00	55,936
Hire-purchase receivables	115,997,606	115,435,453	0.68	782,934
Special mention				
Loans <sup>(1)</sup>	2,109,382	591,152	2.00	9,238
Hire-purchase receivables-fleet	449,815	443,771	2.00	8,875
Hire-purchase receivables	16,067,182	15,820,724	6.79	1,074,310
Substandard				
Loans	987,597	150,465	100.00	150,465
Hire-purchase receivables-fleet	48,755	48,755	100.00	48,755
Hire-purchase receivables	1,343,747	1,343,747	23.63	317,521
Doubtful				
Loans	990,623	240,805	100.00	240,805
Hire-purchase receivables-fleet	9,991	9,991	100.00	9,991
Hire-purchase receivables	1,144,970	1,144,970	23.77	272,117
Doubtful loss				
Loans	2,473,631	726,109	100.00	726,109
Hire-purchase receivables-fleet	3,164	3,164	100.00	3,164
Hire-purchase receivables	273,714	273,714	23.59	64,560
Total loans and accrued interest receivables	193,243,580	151,841,739		3,864,897
Additional allowance for some doubtful accounts				2,152,252
General reserve				1,228,100
Total				7,245,249

<sup>(1)</sup> Allowance for doubtful accounts on troubled debt restructured receivables have been wholly presented in allowance for troubled debt restructuring.



Unit: Thousand Baht

Loans classification	THE BANK'S FINANCIAL STATEMENTS						
	2012						
	Loans outstanding and interest receivables	Net balance used for allowance	Rate used for allowance (%)	Allowance for doubtful accounts	Rate per BOT's guideline (%)	Increase (Decrease) allowance for doubtful accounts per BOT (2)	Total allowance for doubtful accounts per BOT's guideline
Normal							
Loans <sup>(1)</sup>	36,709,885	9,459,993	1.00	93,516	1.00	-	93,516
Hire-purchase receivables-fleet	5,255,237	5,230,311	1.00	52,303	1.00	-	52,303
Hire-purchase receivables	108,011,760	107,491,600	1.00	1,074,916	1.00	-	1,074,916
Special mention							
Loans <sup>(1)</sup>	1,478,049	270,953	2.00	5,411	2.00	-	5,411
Hire-purchase receivables-fleet	305,229	302,173	5.62	16,991	2.00	(10,948)	6,043
Hire-purchase receivables	12,864,267	12,665,337	5.62	712,162	2.00	(458,855)	253,307
Substandard							
Loans	600,329	42,829	100.00	42,829	100.00	-	42,829
Hire-purchase receivables-fleet	31,421	31,421	23.02	7,232	100.00	24,189	31,421
Hire-purchase receivables	1,088,089	1,088,089	23.02	250,424	100.00	837,665	1,088,089
Doubtful							
Loans	277,731	89,855	100.00	89,855	100.00	-	89,855
Hire-purchase receivables-fleet	6,584	6,584	23.00	1,514	100.00	5,070	6,584
Hire-purchase receivables	611,712	611,712	23.00	140,674	100.00	471,038	611,712
Doubtful loss							
Loans	2,767,469	781,303	100.00	780,083	100.00	-	780,083
Hire-purchase receivables-fleet	1,736	1,736	100.00	1,736	100.00	-	1,736
Hire-purchase receivables	236,173	236,173	100.00	236,173	100.00	-	236,173
Total loans and accrued interest receivables	170,245,671	138,310,069		3,505,819		868,159	4,373,978
Additional allowance for some doubtful accounts				1,340,425		-	1,340,425
General reserve				423,100		-	423,100
Total				5,269,344		868,159	6,137,503

<sup>(1)</sup> Allowance for doubtful accounts on troubled debt restructured receivables have been wholly presented in allowance for troubled debt restructuring.

<sup>(2)</sup> The Bank provides allowance for doubtful accounts on hire-purchase receivables by using the Collective Approach method. In addition, the Bank considers the additional allowance for doubtful accounts on hire-purchase receivables in order to comply with the Bank of Thailand's Notification dated August 3, 2008 by considering the valuation of collateral regarding the Bank of Thailand's guideline. The Bank provided the allowance for doubtful accounts on substandard, doubtful and doubtful loss hire-purchase receivables at the rate of 100% for the differences between the carrying amounts and net present value of estimated future cash flow from selling of collaterals which discounted for the holding period according to the Bank of Thailand's guideline. Except the normal and special mention loans, the Bank provided the allowance for doubtful accounts at the rate of 1% and 2%, respectively (see Note 5.1.3).

## 6.7.5 Non-performing loans

As at December 31, 2013 and 2012, the Bank has non-performing loans, defined according to the BOT's Notification as loan classified as substandard, doubtful, and doubtful loss, including interbank and money market items, but excluding accrued interest receivables, as follows;

Unit: Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2013	2012	2013	2012
Non-performing loans (excluding accrued interest receivables)	7,282,493	5,627,545	7,276,192	5,621,244
Percentage of non-performing loans to total loans (including loans to financial institutions)	3.75	3.29	3.71	3.28
Non-performing loans net of allowance for doubtful accounts (excluding accrued interest receivables)	4,608,770	2,460,220	4,608,868	2,460,219
Percentage of non-performing loans net of allowance for doubtful accounts to total loans net of allowance for doubtful accounts (including loans to financial institutions)	2.40	1.47	2.38	1.46
Percentage of non-performing loans to the total of each type of loans				
- Loans	8.89	8.95	8.59	8.77
- Hire-purchase receivables	2.02	1.55	2.02	1.55
- Securities and derivative business receivables	1.03	1.04	-	-

Loans and accrued interest receivables from which recognition of income based on accrual basis has been discontinued are as follows;

Unit : Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS			
	2013		2012	
	Principal	Interest receivables	Principal	Interest receivables
Loans and bills receivables	4,451,851	-	3,645,529	-
Securities business receivables	6,301	98	6,301	98
Hire-purchase receivables	2,824,341	-	1,975,715	-
Total loans from which recognition of income has been discontinued	7,282,493	98	5,627,545	98

Unit : Thousand Baht

	THE BANK'S FINANCIAL STATEMENTS			
	2013		2012	
	Principal	Interest receivables	Principal	Interest receivables
Loans and bills receivables	4,451,851	-	3,645,529	-
Hire-purchase receivables	2,824,341	-	1,975,715	-
Total loans from which recognition of income has been discontinued	7,276,192	-	5,621,244	-

## 6.8 Hire-purchase and finance lease receivables

As at December 31, 2013 and 2012, receivables of the Bank and its subsidiaries under hire-purchase and finance lease agreements and mostly comprise hire-purchase agreements for cars, machine and equipment for business operation. The terms of the agreements are generally between 1 to 7 years and under most agreements, interest is charged at a fixed rate as specified in agreements.

Unit: Thousand Baht

	CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS			
	2013			
	Amount due under lease agreements			
	Less than 1 year	Within 1-5 years	Over 5 years	Total
Gross investment in the agreements	47,916,957	111,275,430	5,041,024	164,233,411
<u>Less</u> Unearned income*				(23,214,560)
Present value of minimum lease payment per agreement				141,018,851
<u>Less</u> Allowance for doubtful accounts				(3,623,135)
Hire-purchase and finance lease receivables, net				137,395,716

\* Net of commission and direct expenses incurred at the initiation of hire purchase.

Unit: Thousand Baht

	CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS			
	2012			
	Amount due under lease agreements			
	Less than 1 year	Within 1-5 years	Over 5 years	Total
Gross investment in the agreements	42,340,185	101,999,277	5,866,725	150,206,187
<u>Less</u> Unearned income*				(21,871,569)
Present value of minimum lease payment per agreement				128,334,618
<u>Less</u> Allowance for doubtful accounts				(3,542,796)
Hire-purchase and finance lease receivables, net				124,791,822

\* Net of commission and direct expenses incurred at the initiation of hire purchase.

## 6.9 Allowance for doubtful accounts

Allowance for doubtful accounts as at December 31, 2013 and 2012 are as follows;

Unit: Thousand Baht

CONSOLIDATED FINANCIAL STATEMENTS							
2013							
	Normal	Special mention	Substandard	Doubtful	Doubtful loss	General reserve	Total
At beginning of year	1,975,683	577,694	1,253,411	727,658	1,186,356	423,100	6,143,902
<u>Add</u> Doubtful accounts (reversal)	(28,786)	825,234	(597,888)	214,777	1,037,093	805,000	2,255,430
Bad debts recovered	-	-	-	-	256,058	-	256,058
<u>Less</u> Bad debt written-off	-	-	-	-	(1,403,742)	-	(1,403,742)
At end of year	1,946,897	1,402,928	655,523	942,435	1,075,765	1,228,100	7,251,648

Unit: Thousand Baht

CONSOLIDATED FINANCIAL STATEMENTS							
2012							
	Normal	Special mention	Substandard	Doubtful	Doubtful loss	General reserve	Total
At beginning of year	1,719,938	833,913	616,353	534,981	990,987	423,100	5,119,272
<u>Add</u> Doubtful accounts (reversal)	255,745	(256,219)	637,058	192,677	720,086	-	1,549,347
Bad debts recovered	-	-	-	-	186,708	-	186,708
<u>Less</u> Bad debt written-off	-	-	-	-	(711,425)	-	(711,425)
At end of year	1,975,683	577,694	1,253,411	727,658	1,186,356	423,100	6,143,902

Unit: Thousand Baht

THE BANK'S FINANCIAL STATEMENTS							
2013							
	Normal	Special mention	Substandard	Doubtful	Doubtful loss	General reserve	Total
At beginning of year	1,975,683	577,694	1,253,411	727,658	1,179,957	423,100	6,137,503
<u>Add</u> Doubtful accounts (reversal)	(28,786)	825,234	(597,888)	214,776	1,037,094	805,000	2,255,430
Bad debts recovered	-	-	-	-	256,058	-	256,058
<u>Less</u> Bad debt written-off	-	-	-	-	(1,403,742)	-	(1,403,742)
At end of year	1,946,897	1,402,928	655,523	942,434	1,069,367	1,228,100	7,245,249

Unit: Thousand Baht

THE BANK'S FINANCIAL STATEMENTS							
2012							
	Normal	Special mention	Substandard	Doubtful	Doubtful loss	General reserve	Total
At beginning of year	1,719,938	833,913	616,353	534,981	984,209	423,100	5,112,494
<u>Add</u> Doubtful accounts (reversal)	255,745	(256,219)	637,058	192,677	720,465	-	1,549,726
Bad debts recovered	-	-	-	-	186,708	-	186,708
<u>Less</u> Bad debt written-off	-	-	-	-	(711,425)	-	(711,425)
At end of year	1,975,683	577,694	1,253,411	727,658	1,179,957	423,100	6,137,503

### 6.10 Troubled debt restructuring

As at December 31, 2013 and 2012, the Bank has troubled debt restructuring classified by default period as follows;

Unit: Million Baht

Default period	CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS			
	2013			
	Number of debtors	Principal balance	Loans net of collateral	Allowance for doubtful accounts
0 - 1 month	55	1,066	44	187
More than 1 month - 3 months	13	638	133	150
More than 3 months - 6 months	24	777	42	86
More than 6 months - 12 months	47	276	16	99
More than 12 months	97	1,352	553	604
Total	236	4,109	788	1,126

Unit: Million Baht

Default period	CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS			
	2012			
	Number of debtors	Principal balance	Loans net of collateral	Allowance for doubtful accounts
0 - 1 month	63	1,552	113	344
More than 1 month - 3 months	21	321	9	44
More than 3 months - 6 months	17	538	9	100
More than 6 months - 12 months	32	141	41	58
More than 12 months	108	1,471	610	673
Total	241	4,023	782	1,219

For year ended December 31, 2013, the Bank has loss on debt restructuring with 3 debtors (for the year ended December 31, 2012: 2 debtors) with outstanding balance before restructuring amounting to Baht 68.40 million (December 31, 2012: Baht 8.01 million). For the year ended December 31, 2013, the Bank recognized loss on restructuring of Baht 3 million (for the year ended December 31, 2012: Baht 1.72 million) in the statement of comprehensive income under loss on troubled debt restructuring.

Unit: Million Baht

Restructuring type	CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS				
	2013				
	Number of debtors	Outstanding balance before TDR <sup>(1)</sup>	Outstanding balance after TDR <sup>(1)</sup>	Type of assets transferred	Fair value of Assets
Transfer of properties	2	34.65	-	Apartment	32.29
Transfer of properties and modifications of payment terms	1	33.75	10.00	Apartment	23.11
Total	3	68.40	10.00		

<sup>(1)</sup> Presented at book value (principal and accrued interest receivables).

Unit: Million Baht

Restructuring type	CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS				
	2012				
	Number of debtors	Outstanding balance before TDR <sup>(1)</sup>	Outstanding balance after TDR <sup>(1)</sup>	Type of assets transferred	Fair value of Assets
Modifications of payment terms	2	8.01	-	-	-
Total	2	8.01	-		

<sup>(1)</sup> Presented at book value (principal and accrued interest receivables).

### 6.11 Allowance for troubled debt restructuring

Allowance for troubled debts restructuring as at December 31, 2013 and 2012 are as follows;

Unit: Thousand Baht

	CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS	
	2013	2012
At beginning of year	27,789	733
Increase (decrease) during year	(4,374)	27,056
At end of year	23,415	27,789

### 6.12 Properties foreclosed, net

Properties foreclosed as at December 31, 2013 and 2012 are as follows;

Unit: Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2013	2012	2013	2012
Properties foreclosed	5,388,006	6,564,187	5,404,908	6,737,813
Less Provision for diminution in value	(1,285,337)	(1,584,562)	(1,249,362)	(1,534,627)
Net properties foreclosed	4,102,669	4,979,625	4,155,546	5,203,186

The Bank and subsidiaries acquired properties foreclosed by transferring asset, auction and repossession for the debt settlement.

Unit: Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS		
	2013		
	Immovable assets	Movable Assets	Total
At beginning of year	6,362,875	201,312	6,564,187
Additions	569,228	3,574,940	4,144,168
Disposals	(1,721,944)	(3,598,405)	(5,320,349)
At end of year	5,210,159	177,847	5,388,006
<u>Less</u> Provision for diminution in value	(1,107,500)	(177,837)	(1,285,337)
Net properties foreclosed	4,102,659	10	4,102,669

Unit: Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS		
	2012		
	Immovable assets	Movable Assets	Total
At beginning of year	7,986,768	55,110	8,041,878
Additions	375,813	1,728,717	2,104,530
Disposals	(1,999,706)	(1,582,515)	(3,582,221)
At end of year	6,362,875	201,312	6,564,187
<u>Less</u> Provision for diminution in value	(1,383,261)	(201,301)	(1,584,562)
Net properties foreclosed	4,979,614	11	4,979,625

Unit: Thousand Baht

	THE BANK'S FINANCIAL STATEMENTS		
	2013		
	Immovable assets	Movable Assets	Total
At beginning of year	6,536,717	201,096	6,737,813
Additions	522,529	3,574,940	4,097,469
Disposals	(1,831,969)	(3,598,405)	(5,430,374)
At end of year	5,227,277	177,631	5,404,908
<u>Less</u> Provision for diminution in value	(1,071,731)	(177,631)	(1,249,362)
Net properties foreclosed	4,155,546	-	4,155,546



Unit: Thousand Baht

	THE BANK'S FINANCIAL STATEMENTS		
	2012		
	Immovable assets	Movable Assets	Total
At beginning of year	7,485,756	54,894	7,540,650
Additions	666,587	1,728,717	2,395,304
Disposals	(1,615,626)	(1,582,515)	(3,198,141)
At end of year	6,536,717	201,096	6,737,813
Less Provision for diminution in value	(1,333,531)	(201,096)	(1,534,627)
Net properties foreclosed	5,203,186	-	5,203,186

The details of assets at fair value where the Bank granted an option to debtors for repurchasing classified by outstanding term of contract as at December 31, 2013 and 2012 are as follows;

Unit: Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2013	2012	2013	2012
Less than 2 months	-	5,966	-	-
2 - 12 months	260,137	147,474	239,049	147,474
Over 12 months but less than 24 months	-	302,986	-	268,209
Total	260,137	456,426	239,049	415,683

Immovable properties foreclosed classified by external and internal appraisers as at December 31, 2013 and 2012 are as follows;

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2013	2012	2013	2012
Immovable properties foreclosed				
Appraised by external appraisers	4,357	4,868	4,417	5,142
Appraised by internal appraisers	853	1,495	810	1,395
Total	5,210	6,363	5,227	6,537

### 6.13 Land, premises and equipment, net

Land, premises and equipment as at December 31, 2013 and 2012 are as follows;

Unit: Thousand Baht

CONSOLIDATED FINANCIAL STATEMENTS									
2013									
	Cost				Accumulated depreciation				Land, premises and equipment, net
	Beginning balance	Additions	Disposals/ Transfers	Ending Balance	Beginning balance	Additions	Disposals/ Transfers	Ending Balance	
Land	146,981	-	-	146,981	-	-	-	-	146,981
Premises and building improvement	556,410	26,836	(2,919)	580,327	(224,146)	(34,847)	2,139	(256,854)	323,473
Equipment	1,319,945	136,805	(60,528)	1,396,222	(949,354)	(152,503)	58,799	(1,043,058)	353,164
Furniture and fixtures	856,549	36,778	(24,398)	868,929	(533,106)	(121,433)	20,116	(634,423)	234,506
Vehicles	367,294	46,792	(59,603)	354,483	(186,685)	(61,575)	59,080	(189,180)	165,303
Total	3,247,179	247,211	(147,448)	3,346,942	(1,893,291)	(370,358)	140,134	(2,123,515)	1,223,427

Unit: Thousand Baht

CONSOLIDATED FINANCIAL STATEMENTS												
2012												
	Cost					Accumulated depreciation					Revaluation	Land, premises and equipment, net
	Beginning balance	Balance of subsidiary as at acquisition date	Additions	Disposals/ Transfers	Ending Balance	Beginning balance	Balance of subsidiary as at acquisition date	Additions	Disposals/ Transfers	Ending Balance		
Land	94,968	52,013	-	-	146,981	-	-	-	-	-	-	146,981
Premises and building improvement	76,552	466,627	19,943	(6,712)	556,410	(37,630)	(173,540)	(12,976)	-	(224,146)	15,944	348,208
Equipment	1,017,605	167,379	166,234	(31,273)	1,319,945	(705,698)	(120,639)	(152,787)	29,770	(949,354)	-	370,591
Furniture and fixtures	706,359	50,254	108,186	(8,250)	856,549	(367,811)	(41,692)	(128,213)	4,610	(533,106)	-	323,443
Vehicles	282,531	17,194	83,051	(15,482)	367,294	(128,398)	(17,193)	(56,385)	15,291	(186,685)	-	180,609
Total	2,178,015	753,467	377,414	(61,717)	3,247,179	(1,239,537)	(353,064)	(350,361)	49,671	(1,893,291)	15,944	1,369,832

Depreciation for the years ended      December 31, 2013 : Baht 370,358 Thousand  
    December 31, 2012 : Baht 350,361 Thousand

As at December 31, 2013 and 2012, the Bank and its subsidiaries had equipment, fully depreciated but still in use, at the original costs amounting to Baht 1,687.81 million and Baht 984.29 million, respectively.

Unit: Thousand Baht

THE BANK'S FINANCIAL STATEMENTS									
2013									
	Cost				Accumulated depreciation				Land, premises and equipment, net
	Beginning balance	Additions	Disposals/ Transfers	Ending Balance	Beginning balance	Additions	Disposals/ Transfers	Ending Balance	
Land	94,968	-	-	94,968	-	-	-	-	94,968
Premises	76,552	-	-	76,552	(41,407)	(3,476)	-	(44,883)	31,669
Equipment	916,490	70,579	(29,191)	957,878	(621,256)	(110,581)	29,074	(702,763)	255,115
Furniture and fixtures	731,259	14,860	(230)	745,889	(437,571)	(109,024)	185	(546,410)	199,479
Vehicles	330,580	44,441	(55,280)	319,741	(163,812)	(57,760)	54,811	(166,761)	152,980
Total	2,149,849	129,880	(84,701)	2,195,028	(1,264,046)	(280,841)	84,070	(1,460,817)	734,211

Unit: Thousand Baht

THE BANK'S FINANCIAL STATEMENTS									
2012									
	Cost				Accumulated depreciation				Land, premises and equipment, net
	Beginning balance	Additions	Disposals/ Transfers	Ending Balance	Beginning balance	Additions	Disposals/ Transfers	Ending Balance	
Land	94,968	-	-	94,968	-	-	-	-	94,968
Premises	76,552	-	-	76,552	(37,630)	(3,777)	-	(41,407)	35,145
Equipment	789,310	144,025	(16,845)	916,490	(504,887)	(132,097)	15,728	(621,256)	295,234
Furniture and fixtures	638,546	96,987	(4,274)	731,259	(320,822)	(119,471)	2,722	(437,571)	293,688
Vehicles	263,971	75,542	(8,933)	330,580	(119,103)	(53,450)	8,741	(163,812)	166,768
Total	1,863,347	316,554	(30,052)	2,149,849	(982,442)	(308,795)	27,191	(1,264,046)	885,803

Depreciation for the years ended      December 31, 2013 : Baht 280,841 Thousand  
    December 31, 2012 : Baht 308,795 Thousand

As at December 31, 2013 and 2012, the Bank had equipment, fully depreciated but still in use, at the original costs amounting to Baht 776.93 million and Baht 569.29 million, respectively.

## 6.14 Other intangible assets, net and goodwill

### 6.14.1 Other intangible assets, net

Other intangible assets, net as at December 31, 2013 and 2012 are as follows;

Unit: Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS								
	2013								
	Cost				Accumulated depreciation				Other intangible assets, net
	Beginning balance	Additions	Disposals/ Transfers	Ending Balance	Beginning balance	Additions	Disposals/ Transfers	Ending Balance	
Software	812,801	193,690	(1,855)	1,004,636	(492,892)	(92,243)	-	(585,135)	419,501
TFEX Membership	12,709	-	-	12,709	(7,132)	(50)	-	(7,182)	5,527
Total	825,510	193,690	(1,855)	1,017,345	(500,024)	(92,293)	-	(592,317)	425,028

Unit: Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS										
	2012										
	Cost					Accumulated depreciation					Other intangible assets, net
	Beginning balance	Balance of subsidiary as at acquisition date	Additions	Disposals/ Transfers	Ending Balance	Beginning balance	Balance of subsidiary as at acquisition date	Additions	Disposals/ Transfers	Ending Balance	
Software	544,510	171,816	113,899	(17,424)	812,801	(257,534)	(145,891)	(95,251)	5,784	(492,892)	319,909
TFEX Membership	6,918	5,791	-	-	12,709	(1,462)	(5,655)	(15)	-	(7,132)	5,577
Total	551,428	177,607	113,899	(17,424)	825,510	(258,996)	(151,546)	(95,266)	5,784	(500,024)	325,486

Amortization for the years ended  
 December 31, 2013 : Baht 92,293 Thousand  
 December 31, 2012 : Baht 95,266 Thousand

As at December 31, 2013 and 2012, the Bank and its subsidiaries had software, fully amortized but still in use, at the original costs amounting to Baht 374.60 million and Baht 248.01 million, respectively.

Unit: Thousand Baht

	THE BANK'S FINANCIAL STATEMENTS								
	2013								
	Cost				Accumulated depreciation				Other intangible assets, net
	Beginning balance	Additions	Disposals/ Transfers	Ending Balance	Beginning balance	Additions	Disposals/ Transfers	Ending Balance	
Software	575,185	154,056	-	729,241	(295,323)	(70,107)	-	(365,430)	363,811
Total	575,185	154,056	-	729,241	(295,323)	(70,107)	-	(365,430)	363,811

Unit: Thousand Baht

THE BANK'S FINANCIAL STATEMENTS									
2012									
	Cost				Accumulated depreciation				Other intangible assets, net
	Beginning balance	Additions	Disposals/ Transfers	Ending Balance	Beginning balance	Additions	Disposals/ Transfers	Ending Balance	
Software	480,338	105,360	(10,513)	575,185	(211,782)	(84,099)	558	(295,323)	279,862
Total	480,338	105,360	(10,513)	575,185	(211,782)	(84,099)	558	(295,323)	279,862

Amortization for the years ended  
 December 31, 2013 : Baht 70,107 Thousand  
 December 31, 2012 : Baht 84,099 Thousand

As at December 31, 2013 and 2012, the Bank had software, fully amortized but still in use, at the original costs amounting to Baht 193.51 million and Baht 88.67 million, respectively.

#### 6.14.2 Goodwill

Goodwill as at December 31, 2013 and 2012 are as follows;

Unit: Thousand Baht

CONSOLIDATED FINANCIAL STATEMENTS				
2013				
Cost				
	Beginning balance	Additions	Disposals/ Transfers	Ending Balance
Goodwill	3,085,290	317	-	3,085,607
Total	3,085,290	317	-	3,085,607

Unit: Thousand Baht

CONSOLIDATED FINANCIAL STATEMENTS				
2012				
Cost				
	Beginning balance	Additions	Disposals/ Transfers	Ending Balance
Goodwill	56,071	3,029,219	-	3,085,290
Total	56,071	3,029,219	-	3,085,290

#### 6.15 Deferred tax assets

Deferred tax assets as at December 31, 2013 and 2012 are as follows;

Unit: Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2013	2012	2013	2012
Deferred tax assets	720,745	618,666	712,351	594,291
Total	720,745	618,666	712,351	594,291

Movements in deferred tax assets during the year were as follows;

Unit: Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS			
	Balance as at January 1, 2013	Items as recognized into profit or loss	Items as recognized into other comprehensive income	Balance as at December 31, 2013
Temporary differences				
Allowance for doubtful accounts	95,238	159,935	-	255,173
Allowance for impairment of investments	128,717	(21,829)	-	106,888
Allowance for impairment of properties foreclosed	309,392	(59,520)	-	249,872
Provisions	181,163	(8,576)	66	172,653
Income received in advance	216,791	35,397	-	252,188
Non-accrued interest income	42,618	1,967	-	44,585
Prepaid hire-purchase commission	(298,448)	(28,474)	-	(326,922)
Depreciation of assets	3,014	(4,793)	-	(1,779)
(Gain) loss on remeasuring available-for-sale securities	(74,850)	-	28,747	(46,103)
Unrealized (gain) loss on remeasuring trading securities	(29,194)	29,194	-	-
Others	44,225	(30,035)	-	14,190
Total	618,666	73,266	28,813	720,745

Unit: Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS				
	Balance as at January 1, 2012	Balance as at September 12, 2012 from Phatra Capital	Items as recog- nized into profit or loss	Items as recognized into other comprehensive income	Balance as at December 31, 2012
Temporary differences					
Allowance for doubtful accounts	95,619	-	(381)	-	95,238
Allowance for impairment of investments	161,506	1,466	(34,255)	-	128,717
Allowance for impairment of properties foreclosed	289,656	5,786	13,950	-	309,392
Provisions	171,746	16,544	(4,600)	(2,527)	181,163
Income received in advance	181,474	-	35,317	-	216,791
Non-accrued interest income	39,111	-	3,507	-	42,618
Prepaid hire-purchase commission	(219,546)	-	(78,902)	-	(298,448)
Depreciation of assets	(422)	4,260	(824)	-	3,014
Gain on remeasuring available-for-sale securities	(59,700)	(766)	-	(14,384)	(74,850)
Unrealized gain on remeasuring trading securities	-	(16,043)	(13,151)	-	(29,194)
Others	9,438	10,341	24,446	-	44,225
Total	668,882	21,588	(54,893)	(16,911)	618,666

Unit: Thousand Baht

	THE BANK'S FINANCIAL STATEMENTS			
	Balance as at January 1, 2013	Items as recognized into profit or loss	Items as recognized into other comprehensive income	Balance as at December 31, 2013
Temporary differences				
Allowance for doubtful accounts	93,489	159,935	-	253,424
Allowance for impairment of investments	127,251	(20,363)	-	106,888
Allowance for impairment of properties foreclosed	306,925	(57,053)	-	249,872
Provision		6,436	(1,760)	164,228
Income received in advance	216,791	35,397	-	252,188
Non-accrued interest income	42,617	1,968	-	44,585
Prepaid hire-purchase commission	(298,448)	(28,474)	-	(326,922)
(Gain) loss on remeasuring available-for-sale securities	(73,972)	-	27,870	(46,102)
Others	20,086	(5,896)	-	14,190
Total	594,291	91,950	26,110	712,351

Unit: Thousand Baht

	THE BANK'S FINANCIAL STATEMENTS			
	Balance as at January 1, 2012	Items as recognized into profit or loss	Items as recognized into other comprehensive income	Balance as at December 31, 2012
Temporary differences				
Allowance for doubtful accounts	93,870	(381)	-	93,489
Allowance for impairment of investments	161,506	(34,255)	-	127,251
Allowance for impairment of properties foreclosed	289,656	17,269	-	306,925
Provision	164,419	(4,867)	-	159,552
Income received in advance	181,474	35,317	-	216,791
Non-accrued interest income	39,111	3,506	-	42,617
Prepaid hire-purchase commission	(219,546)	(78,902)	-	(298,448)
Gain on remeasuring available-for-sale securities	(59,699)	-	(14,273)	(73,972)
Others	9,438	10,648	-	20,086
Total	660,229	(51,665)	(14,273)	594,291

According to the Royal Decree No. 555 B.E. 2555 issued under the Revenue Code regarding the corporate income tax rate reduction effective on December 27, 2012, the corporate income tax rates were reduced from 30% to 23% of net profit for an accounting period beginning on or after January 1, 2012 and 20% of net profit for two consecutive accounting period beginning on or after January 1, 2013 and 2014.



Accordingly the Bank and its subsidiaries used a tax rate of 20% and 23% for calculation of deferred income tax for the years ended December 31, 2013 and 2012 respectively.

The deferred tax assets of subsidiaries which have not been recognized in the statements of financial position as at December 31, 2013 and 2012 are as follows;

Unit: Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS	
	2013	2012
Unused tax losses	9,911	6,232
Provisions	426	538
Loss on remeasuring available-for-sale securities	26	48
Total	10,363	6,818

Unit: Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2013	2012	2013	2012
Interest and dividend income receivables	154,457	169,780	137,521	165,256
Other income receivables*	26,663	22,125	3,211	1,849
Prepaid expenses and deferred expenses	92,668	81,088	70,056	59,727
Prepaid output tax for hire-purchase receivables*	111,170	87,520	111,170	87,520
Other receivables, net*	560,534	340,481	324,842	248,810
Receivables from trading securities	101,445	-	101,445	-
Refundable deposit	224,413	319,776	125,247	142,884
Withholding income tax	51,110	37,901	41,826	30,752
Input VAT - pending tax invoice	304,143	413,624	303,647	413,624
Prepayment for leasehold right	53,673	69,134	48,399	61,829
Others*	179,207	251,537	67,287	145,413
Total other assets	1,859,483	1,792,966	1,334,651	1,357,664

\* As at December 31, 2013 these transactions are shown net of total doubtful accounts of Baht 47.77 million and Baht 39.02 million in the consolidated and the Bank's financial statements, respectively. (December 31, 2012: Baht 53.09 million and Baht 44.34 million in the consolidated and the Bank's financial statements, respectively).

## 6.17 Deposits

6.17.1 Classified by type of deposit as at December 31, 2013 and 2012

Unit: Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2013	2012	2013	2012
Current accounts	191,045	206,153	275,011	654,697
Savings accounts	24,140,160	25,541,035	24,184,433	25,596,962
Term deposits	121,234,614	127,280,050	121,234,614	127,280,050
NCD	430,679	-	430,679	-
Total	145,996,498	153,027,238	146,124,737	153,531,709

## 6.17.2 Classified by currency and residence of depositors as December 31, 2013 and 2012

Unit : Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS					
	2013			2012		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Thai Baht	145,474,685	521,813	145,996,498	152,563,958	463,280	153,027,238
Total	145,474,685	521,813	145,996,498	152,563,958	463,280	153,027,238

Unit : Thousand Baht

	THE BANK'S FINANCIAL STATEMENTS					
	2013			2012		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Thai Baht	145,602,924	521,813	146,124,737	153,068,429	463,280	153,531,709
Total	145,602,924	521,813	146,124,737	153,068,429	463,280	153,531,709

## 6.18 Interbank and money market items, net (liabilities)

Interbank and money market items, net (liabilities) as at December 31, 2013 and 2012 are as follows;

Unit : Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS					
	2013			2012		
	On demand	Term	Total	On demand	Term	Total
Bank of Thailand and Financial Institution Development Fund	-	821,148	821,148	-	794,745	794,745
Commercial banks	80	-	80	77	-	77
Specific Financial Institution	116,283	3,000,000	3,116,283	116,283	-	116,283
Other financial institutions	127,695	2,590,815	2,718,510	207,483	4,349,819	4,557,302
Total	244,058	6,411,963	6,656,021	323,843	5,144,564	5,468,407

Unit : Thousand Baht

	THE BANK'S FINANCIAL STATEMENTS					
	2013			2012		
	On demand	Term	Total	On demand	Term	Total
Bank of Thailand and Financial Institution Development Fund	-	821,148	821,148	-	794,745	794,745
Specific Financial Institution	116,283	3,000,000	3,116,283	116,283	-	116,283
Other financial institutions	162,194	2,646,066	2,808,260	219,795	4,481,929	4,701,724
Total	278,477	6,467,214	6,745,691	336,078	5,276,674	5,612,752

## 6.19 Debt issued and borrowings

Debt issued and borrowings as at December 31, 2013 and 2012 are as follows;

Unit: Thousand Baht

	Currency	Interest Rate (%)	Maturity	CONSOLIDATED FINANCIAL STATEMENTS	
				2013	2012
Debentures	THB	2.25 - 5.10	2018	35,944,114	16,999,361
Bills of exchange	THB	2.50 - 5.10	2016	6,624,915	12,123,975
Total				42,569,029	29,123,336

Unit: Thousand Baht

	Currency	Interest Rate (%)	Maturity	THE BANK'S FINANCIAL STATEMENTS	
				2013	2012
Debentures	THB	2.70 - 5.10	2018	34,211,455	15,335,000
Bills of exchange	THB	2.50 - 5.10	2016	6,624,915	12,123,975
Total				40,836,370	27,458,975

## 6.20 Provisions

Provisions as at December 31, 2013 and 2012 are as follows;

Unit: Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2013	2012	2013	2012
Post-employment benefits obligation	302,108	267,905	169,833	154,937
Others	72,601	59,694	70,510	59,257
Total	374,709	327,599	240,343	214,194

### Post-employment benefits obligation

The Bank and its subsidiaries have post-employment benefits plan under the Thai Labor Protection Act, which is considered as unfunded defined benefit plans.

Amounts recognized in the statements of comprehensive income in respect of the defined benefit plans for the years ended December 31, 2013 and 2012 are as follows;

Unit: Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2013	2012	2013	2012
Current service cost	36,925	30,886	25,138	24,733
Interest on obligation	9,516	6,786	5,748	4,994
Actuarial (gain) loss on defined benefit plan	2,057	(15,814)	(8,802)	-
Benefits paid	(14,295)	(13,157)	(7,188)	(10,998)
Total	34,203	8,701	14,896	18,729

Movements in the present value of the defined benefit obligation for the years ended December 31, 2013 and 2012 are as follows;

Unit: Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2013	2012	2013	2012
Beginning defined benefit obligation	267,905	171,914	154,937	136,181
Balance of subsidiary as at acquisition date	-	87,290	-	-
Current service cost	36,925	30,886	25,138	24,733
Interest cost	9,516	6,786	5,748	4,994
Defined benefit obligation transferred from subsidiary company	-	-	-	27
Actuarial (gain) loss on defined benefit plan	2,057	(15,814)	(8,802)	-
Benefits paid	(14,295)	(13,157)	(7,188)	(10,998)
Ending defined benefit obligation	302,108	267,905	169,833	154,937

The principal actuarial assumptions used to calculate the obligation under the defined benefit plans as at December 31, 2013 and 2012 are as follows;

	December 31, 2013	December 31, 2012
Financial assumptions		
Discount rate	3.6 - 4.4%	3.6 - 4.0%
Expected rate of salary increase	3.0 - 18.0%	3.0 - 18.0%
Turnover rate	0.0 - 30.0%	0.0 - 15.0%
Retirement age	55 years and 60 years	55 years and 60 years

## 6.21 Deferred Tax Liabilities

Deferred tax liabilities as at December 31, 2013 and 2012 are as follows;

Unit: Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS	
	2013	2012
Deferred tax liabilities	126,893	163,329
Total	126,893	163,329

Movements in deferred tax liabilities during the year were as follows;

Unit: Thousand Baht

	THE CONSOLIDATED FINANCIAL STATEMENTS			
	Balance as at January 1, 2013	Items as recognized into Profit or Loss	Items as recognized into Other Comprehensive Income	Balance as at December 31, 2013
Temporary differences				
Premise appraisal surplus	41,141	(3,445)	-	37,696
Allowance for impairment of investments	-	(1,466)	-	(1,466)
Allowance for impairment of properties foreclosed	-	(2,263)	-	(2,263)
Provision	(540)	(16,231)	(130)	(16,901)
Depreciation of assets	-	(2,846)	-	(2,846)
(Gain) loss on remeasuring available-for-sale securities	122,728	-	(108,134)	14,594
Unrealized gain on remeasuring trading securities	-	5,951	-	5,951
Unrealized loss on remeasuring securities borrowing and lending	-	60,520	-	60,520
Unrealized loss on remeasuring derivatives	-	32,175	-	32,175
Others	-	-	(567)	(567)
Total	163,329	72,395	(108,831)	126,893

Unit: Thousand Baht

	THE CONSOLIDATED FINANCIAL STATEMENTS					
	Balance as at January 1, 2012	Balance as at September 12, 2012 from Phatra Capital	Items as recognized into Profit or Loss	Items as recognized into Other Comprehensive Income	Items as recognized into retained earning	Balance as at December 31, 2012
Temporary differences						
Premise appraisal surplus	-	42,189	-	-	-	42,189
Gain on remeasuring available-for-sale securities	-	98,156	-	24,572	-	122,728
Provisions	-	(1,052)	(251)	-	763	(540)
Others	-	(14,684)	13,636	-	-	(1,048)
Total	-	124,609	13,385	24,572	763	163,329

## 6.22 Other accounts payable

Other accounts payable as at December 31, 2013 and 2012 are as follows;

Unit: Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2013	2012	2013	2012
Insurance premium payables	565,217	588,709	565,217	588,709
Dealer payables	385,182	558,888	385,182	558,888
Other refund payables to customers	13,762	7,500	13,762	7,500
Others	946,058	807,756	857,312	583,465
Total	1,910,219	1,962,853	1,821,473	1,738,562

### 6.23 Legal Execution Department payable

As at December 31, 2013 and 2012, the Bank had the Legal Execution Department payable amounting to Baht 575.38 million with the loss amounting to Baht 582.75 million, which incurred from the breach of bidding contract from the foreclosed assets between the first and the final bidding.

Based upon the the report of the Official Receiver on the first meeting of the Creditors dated January 30, 2013 the Creditors approved for the Official Receiver to pursue legal action against Kiatnakin Bank Public Company Limited. The main creditor was entrusted with the obligation to pay court fees and expenses relating to the legal action to the Official Receiver.

On April 1, 2013 the main creditor that had resolved to pursue legal action had placed a deposit on court fees and expenses relating to the legal action in the amount of Baht 725,380. However the Official Receiver, acting as the plaintiff representing the Creditors had not lodged the legal action with the court.

On September 9, 2013 the Creditors received the invitation of the second meeting, regarding the hire of external lawyer to pursue legal action against Kiatnakin Bank Public Company Limited, the old buyer of bidding contract from the foreclosed assets. The Official Receiver will make an appointment on November 6, 2013.

Based on the report of the second Official Receiver meeting with the Creditors dated November 6, 2013 are as follow;

According to agenda No. 1, the 95th Creditor (Thai Restructuring Fund) opined that the value determined by Sukhumvit Asset Management Company Limited at the Court of First Instance of Baht 300,000 was too high and if they appealed an additional Baht 20,000 will be charged in each court. The Board of Creditors had passed a resolution to have Thai Restructuring Fund as the 95th Creditor to engage the lawyer.

According to agenda No. 2, Kiatnakin Bank Public Company Limited proposed to the Board of Creditors that Kiatnakin Bank Public Company Limited will place as collateral a government bond of Baht 575,380,000 together with a Letter of Acknowledgement of Debt to the Official Receiver. If the Bank is able to comply with the proposal, the Board of Creditors shall waive interest from overdue date to the date the Official Receiver or the Central Bankruptcy Court or the Supreme Court judged an ordered relating to the shortfall from auction which Kiatnakin Bank Public Company Limited acknowledged the indebtedness to the Creditors and will repay the full amount to the Creditors. Kiatnakin Bank Public Company Limited has place a government bond of Baht 575,380,000 along with a Letter of Acknowledgement of Debt to the Official Receiver on January 17, 2014.

## 6.24 Other liabilities

Other liabilities as at December 31, 2013 and 2012 are as follows;

Unit: Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2013	2012	2013	2012
Accrued bonus	1,164,641	874,495	520,000	407,846
Accrued expenses	788,584	739,137	666,769	618,871
Front-end fees	490,737	375,282	490,737	375,282
Other income received in advance	202,538	258,055	433,862	455,246
Deposits	252,113	194,207	252,061	194,155
Suspense accounts cash received from customers	63,816	93,017	63,668	91,033
Stock subscription payables	3,779	24,774	3,779	24,774
Others	217,596	107,609	56,968	71,097
Total other liabilities	3,183,804	2,666,576	2,487,844	2,238,304

## 6.25 Share capital

The annual Shareholders' Meeting for the year 2012 on April 26, 2012, passed resolutions to reduce the Bank's authorized share capital from the original amount of Baht 6,603,288,640 to Baht 6,602,188,640 by reducing 110,000 unissued ordinary shares and to increase the authorized share capital from Baht 6,602,188,640 to Baht 8,523,372,680 by issuing additional 192,118,404 ordinary shares with a par value of Baht 10 per share. The Bank registered the reduction and the increase in share capital with the Ministry of Commerce on May 11, 2012 and May 14, 2012, respectively.

The Bank had issued and offered its new ordinary shares of 191,979,745 shares as payment of consideration to the Phatra Capital's shareholders who accepted the tender offer at a swap ratio of 1 share of Phatra Capital for 0.9135 share of the Bank which resulted in an increase of ordinary share capital amounting to Baht 1,919,797,450 and premium on share capital of Baht 5,247,039,575. The Bank registered the increase in issued and paid-up share capital with the Ministry of Commerce on September 13, 2012, making the issued and paid-up share capital of Baht 8,287,839,590 as of that date.

Details of warrant holders exercising their rights during year 2012 are as follows;

The 319,400 unit of warrants were converted into 319,400 ordinary shares. The Bank registered the increase in share capital with the Ministry of Commerce on January 6, 2012.

The 1,921,050 unit of warrants were converted into 1,921,050 ordinary shares. The Bank registered the increase in share capital with the Ministry of Commerce on April 4, 2012.

The 234,900 unit of warrants were converted into 234,900 ordinary shares. The Bank registered the increase in share capital with the Ministry of Commerce on July 5, 2012.

The 4,047,900 unit of warrants were converted into 4,047,900 ordinary shares.

The Bank registered the increase in share capital with the Ministry of Commerce on October 5, 2012.



Thus, during the year ended December 31, 2012, the Bank issued ordinary shares as payment of consideration to Phatra Capital's shareholders and from conversion of warrants of 198,502,995 ordinary shares or total increase in share capital and premium of Baht 7,357,772,553 which resulted in the increase in issued and paid up capital as at December 31, 2012 to Baht 8,328,318,590.

Details of warrant holders exercising their rights during year 2013 are as follows:

The 846,400 unit of warrants were converted into 846,400 ordinary shares. The Bank registered the increase in share capital with the Ministry of Commerce on January 7, 2013.

The 1,231,800 unit of warrants were converted into 1,231,800 ordinary shares.

The Bank registered the increase in share capital with the Ministry of Commerce on April 4, 2013.

The 918,600 unit of warrants were converted into 918,600 ordinary shares. The Bank registered the increase in share capital with the Ministry of Commerce on July 4, 2013.

The 3,004,450 unit of warrants were converted into 3,004,450 ordinary shares. The Bank registered the increase in share capital with the Ministry of Commerce on October 4, 2013.

Thus, during the year ended December 31, 2013, the Bank issued ordinary shares from conversion of warrants totally 6,001,250 ordinary shares or total increase in share capital and premium of Baht 175,656,588 which resulted in the increase in issued and paid up capital as at December 31, 2013 to Baht 8,388,331,090.

## 6.26 Warrants

Warrants as at December 31, 2013 and 2012 are as follows;

As at December 31, 2012				Decrease during the year					As at December 31, 2013			
Unit	Price per unit	Amount (Thousand Baht)	Cancel (Unit)	Exercise (Unit)	Amount (Thousand Baht)	Exercise rate to purchase ordinary share per 1 unit of warrant	Share capital issued during year (Share)	Exercise price	Amount (Thousand Baht)	Unit	Price per unit	Amount (Thousand Baht)
19,366,750	-	-	-	6,001,250	-	1.00	6,001,250	29.27	175,657	13,365,500	-	-
19,366,750		-	-	6,001,250	-		6,001,250		175,657	13,365,500		-
ESOP-W2*												
As at December 31, 2011				Decrease during the year					As at December 31, 2012			
Unit	Price per unit	Amount (Thousand Baht)	Cancel (Unit)	Exercise (Unit)	Amount (Thousand Baht)	Exercise rate to purchase ordinary share per 1 unit of warrant	Share capital issued during year (Share)	Exercise price	Amount (Thousand Baht)	Unit	Price per unit	Amount (Thousand Baht)
25,890,000	-	-	-	6,523,250	-	1.00	6,523,250	29.27	190,936	19,366,750	-	-
25,890,000		-	-	6,523,250	-		6,523,250		190,936	19,366,750		-
ESOP-W2*												

\* ESOP-W2 warrants which are offered to the management and directors of the Bank can be exercised on the 30th of every quarter ended starting from September 30, 2011 to June 30, 2015.

**6.27 Legal reserve**

Under the Public Companies Act, the Bank which is the public company is required to set aside as legal reserve at least 5% of its net profit, net of accumulated deficit brought forward (if any), until the reserve is not less than 10% of the registered capital.

**6.28 Dividend paid**

On April 26, 2012, the meeting of the ordinary shareholders for the year 2012 approved the resolution regarding the payment of dividend for the year 2011 at the rate of Baht 2.40 per ordinary share, a part of which had been paid as interim dividend at the rate of Baht 1.00 per share on September 23, 2011, amounting to Baht 634,307,664 and the remaining amount was paid on May, 25, 2012 at the rate of Baht 1.40 per share, amounting to Baht 891,169,320.

On September 7, 2012, the meeting of the Board of Directors of the Bank No. 7/2555 approved the resolution regarding the payment of interim dividend from six-month period operating performance at the rate of Baht 1 per ordinary share. The dividend was paid on October 5, 2012 amounting to Baht 828,765,659.

On April 25, 2013, the meeting of the ordinary shareholders for the year 2013 approved the resolution regarding the payment of dividend for the year 2012 at the rate of Baht 2.40 per ordinary share, a part of which had been paid as interim dividend at the rate of Baht 1.00 per share on October 5, 2012, amounting to Baht 828,765,659 and the remaining amount was paid on May, 23, 2013 at the rate of Baht 1.40 per share, amounting to Baht 1,168,821,303.

On September 7, 2013, the meeting of the Board of Directors of the Bank No. 7/2556 approved the resolution regarding the payment of interim dividend from six-month period operating performance at the rate of Baht 1 per ordinary share. The dividend was paid on September 27, 2013 amounting to Baht 835,809,659.

## 6.29 Other reserves

Other reserves for the years ended December 31, 2013 and 2012 are as follows;

Unit: Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS			
	Equity attributable to the Bank's shareholders			
	Other reserves			
	Revaluation surplus (deficit) on investments in receivables	Revaluation surplus (deficit) available-for-sale Securities	Deferred tax relating to components of other comprehensive Income	Surplus on business combination under common Control
Opening balances as at January 1, 2012	1,058,873	151,510	(59,700)	-
Surplus on business combination under common control	-	-	-	(13)
Total comprehensive income	(69,312)	79,568	(38,937)	-
Closing balances as at December 31, 2012	989,561	231,078	(98,637)	(13)
Opening balances as at January 1, 2013	989,561	231,078	(98,637)	(13)
Surplus on business combination under common control	-	-	-	(4,084)
Total comprehensive income	12,356	(661,661)	111,578	-
Closing balances as at December 31, 2013	1,001,917	(430,583)	12,941	(4,097)

Unit: Thousand Baht

	THE BANK'S FINANCIAL STATEMENTS		
	Other reserves		
	Revaluation surplus (deficit) on investments in Receivables	Revaluation surplus (deficit) available-for-sale Securities	Deferred tax relating to components of other comprehensive Income
Opening balances as at January 1, 2012	152,725	145,772	(59,699)
Total comprehensive income	(2,298)	73,644	(14,273)
Closing balances as at December 31, 2012	150,427	219,416	(73,972)
Opening balances as at January 1, 2013	150,427	219,416	(73,972)
Total comprehensive income	(19,149)	(120,181)	27,870
Closing balances as at December 31, 2013	131,278	99,235	(46,102)

## 6.30 Assets with obligations and restrictions

As at December 31, 2013 and 2012, assets with obligations and restrictions of the Bank are as stated in Note 6.12 and government and state enterprise securities with book value of Baht 3.3 million and Baht 3.3 million, respectively, are used as collateral for other commitments with government departments and state enterprises.

### 6.31 Contingencies

As at December 31, 2013 and 2012, contingencies of the Bank and its subsidiaries are as follows;

Unit: Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2013	2012	2013	2012
Aval to bills of exchange	983,698	1,303,121	983,698	1,303,121
Letters of credit	5,463	46,464	5,463	46,464
Other contingencies				
- Guarantee from sale security	-	-	31,680	-
- Unused overdraft credit facilities	307,256	290,814	307,256	290,814
- Other guarantee	2,588,883	1,824,851	2,588,883	1,824,851
Total	3,885,300	3,465,250	3,916,980	3,465,250

### 6.32 Earnings per share

Earnings per share in the consolidated and the Bank's financial statements for the years ended December 31, 2013 and 2012 are calculated as follows;

	CONSOLIDATED FINANCIAL STATEMENTS					
	For the year ended December 31,					
	Profit for the year		Weighted average number of ordinary shares		Earnings per share	
	2013 (Thousand Baht)	2012 (Thousand Baht)	2013 (Thousand Baht)	2012 (Thousand Baht)	2013 (Thousand Baht)	2012 (Thousand Baht)
<b>Basic earnings per share</b>						
Net profit available to ordinary shareholders	4,418,191	3,391,287	835,771	694,859	5.29	4.88
<b>Effect of dilutive securities</b>						
Warrants		-	5,813	4,839		
<b>Diluted earnings per share</b>						
Net profit available to ordinary shareholders plus assumed conversions	4,418,191	3,391,287	841,584	699,698	5.25	4.85

	THE BANK'S FINANCIAL STATEMENTS					
	For the year ended December 31,					
	Profit for the year		Weighted average number of ordinary shares		Earnings per share	
	2013 (Thousand Baht)	2012 (Thousand Baht)	2013 (Thousand Baht)	2012 (Thousand Baht)	2013 (Thousand Baht)	2012 (Thousand Baht)
<b>Basic earnings per share</b>						
Net profit available to ordinary shareholders	4,222,824	2,139,425	835,771	694,859	5.05	3.08
<b>Effect of dilutive securities</b>						
Warrants	-	-	5,813	4,839		
<b>Diluted earnings per share</b>						
Net profit available to ordinary shareholders plus assumed conversions	4,222,824	2,139,425	841,584	699,698	5.02	3.06

### 6.33 Information on quality of assets

The quality of assets classified in accordance with the guidelines of the Securities Exchange Commission as at December 31, 2013 and 2012 are as follows;

#### 6.33.1 Investments in securities

The Bank has investments in debt instruments in companies which were ordered to discontinue their operations and defaulted their debts as at December 31, 2013 and 2012 as follows;

Unit: Million Baht

	CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS				
	Type of investment	Numbers	Cost	Market Value	Provision
Company which has defaulted on interest payment	Senior debenture	1	0.04	-	0.04
			0.04	-	0.04

The Bank had recognized impairment loss on such debt instruments in the statement of comprehensive income in the period when incurred

#### 6.33.2 Loans and accrued interest receivables

The Bank had given loans and accrued interest receivables to companies which faced the financial operational difficulties and provided related allowance for doubtful accounts in the consolidated and the Bank's financial statements as follows;

Unit: Million Baht

	CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS			
	2013			
	Numbers	Total debts	Collateral	Allowance for doubtful accounts
Companies which are under default problem	67	3,591	7,581	1,114
	67	3,591	7,581	1,114

Unit: Million Baht

	CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS			
	2012			
	Numbers	Total debts	Collateral	Allowance for doubtful accounts
Companies which are under default problem	57	2,932	4,946	881
	57	2,932	4,946	881

#### 6.34 Related party transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Bank, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Bank. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Bank that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Bank and close members of the family of these individuals and entities associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship rather than the legal form.

According to the Bank of Thailand's Notification Sor Nor Sor. 6/2553 regarding the Guideline on Consolidated Supervision dated June 18, 2010, the Bank is required to disclose the Inter-Group Transactions in the Financial Business Group Policy and the Risk Management for Inter-Group Transactions in the Financial Business Group Policy as follows;

1. The Inter-Group Transactions in the Financial Business Group Policy

The inter-group transactions shall be the same conditions or criteria, including interest rate or service fee charged, as applied when the Bank conducts the transactions with general customers with the same risk.

2. The Risk Management for Inter-Group Transactions in the Financial Business Group Policy

To manage the operation and consolidated supervision, the Board of Directors assigned the Risk Management Committee to take the policy into action, control and monitor business and supporting unit to conform with the Financial Business Group Policy. Moreover, the Board of Directors shall be informed of the significant risk of the Financial Business Group on a regularly basis.

Furthermore, the Risk Management Committee of each company in the Financial Business Group is responsible to perform the risk assessment according to its policy, and report the results to the Bank's Risk Management Committee on a regularly basis. In case there is any significant change or any circumstance that will impact the current business operation, the Risk Management Committee shall report such matters immediately.



The following transactions were carried out with related parties for the years ended December 31, 2013 and 2012.

#### 6.34.1 Income

Unit: Million Baht

	THE BANK'S FINANCIAL STATEMENTS	
	2013	2012
<b>Interest and dividend income</b>		
Phatra Capital PCL.	57.53	3.31
Phatra Securities PCL.	11.89	-
KKTRADE Securities Co., Ltd.	4.86	269.09
Thai Restructuring Fund	296.73	-
Asia Recovery Property Fund 3	-	351.23
Bangkok Capital Fund	1,531.49	-
Gamma Capital Fund	470.14	-
	2,372.64	623.63
<b>Fees and services income</b>		
Phatra Capital PCL.	4.92	0.69
Phatra Securities PCL.	2.25	-
KKTRADE Securities Co., Ltd.	7.68	10.09
Phatra Asset Management Co., Ltd.	4.31	3.62
Erawan Law Office Co., Ltd.	5.84	5.09
Asia Recovery 1 Fund	0.24	0.24
Asia Recovery 2 Fund	0.24	0.24
Asia Recovery 3 Fund	0.24	0.25
Thai Restructuring Fund	0.57	0.67
Bangkok Capital Fund	1.40	1.51
Gamma Capital Fund	2.24	2.40
	29.93	24.80
<b>Gain on investment</b>		
Phatra Capital PCL.	65.53	-
Phatra Asset Management Co., Ltd.	-	(38.56)
	65.53	(38.56)
<b>Gain (loss) on resales of unit trust</b>		
Asia Recovery 1 Fund	0.77	(2.51)
Asia Recovery 2 Fund	(4.62)	(63.92)
Asia Recovery 3 Fund	2.25	39.96
Thai Restructuring Fund	6.61	8.71
Bangkok Capital Fund	35.35	6.18
Gamma Capital Fund	16.45	3.43
	56.81	(8.15)
<b>Other income</b>		
KKTRADE Securities Co., Ltd.	4.78	4.53
Erawan Law Office Co., Ltd.	-	0.30
	4.78	4.83

The consolidated financial statements for the year ended December 31, 2013 included the brokerage income received from Kiatnakin Bank Public Company Limited and brokerage income received from the directors and management at the position of department head and above amounting to Baht 0.18 million and Baht 19.50 million, respectively (December 31, 2012: Baht 0.15 million and Baht 1.86 million, respectively).

During the year ended December 31, 2013, the Bank sold assets which had the net book value of Baht 2 to directors at Baht 1.50 million, which was its fair value.

#### 6.34.2 Expenses

Unit: Million Baht

	THE BANK'S FINANCIAL STATEMENTS	
	2013	2012
<b>Interest and discounts on borrowings</b>		
Phatra Securities PCL.	7.18	-
KKTRADE Securities Co., Ltd.	43.52	33.84
Phatra Asset Management Co., Ltd.	-	1.01
Erawan Law Office Co., Ltd.	0.14	0.16
Asia Recovery 1 Fund	-	0.76
Asia Recovery 2 Fund	-	6.40
Asia Recovery 3 Fund	-	4.93
Thai Restructuring Fund	-	17.72
Asia Recovery Property Fund 3	-	22.98
Bangkok Capital Fund	-	15.47
Gamma Capital Fund	-	13.80
Directors and management at the position of department head and above including their related persons who have control or significant influences	14.22	8.13
	65.06	125.20
<b>Employee expenses</b>		
Phatra Capital PCL.	57.92	-
	57.92	-
<b>Rental and services expenses</b>		
CMIC Development Co., Ltd. <sup>(1)</sup>	65.33	62.32
Chodthanawat Co., Ltd. <sup>(2)</sup>	9.66	8.89
Ruam Wattana Co., Ltd. <sup>(2)</sup>	0.55	0.53
	75.54	71.74
<b>Other service expenses</b>		
Erawan Law Office Co., Ltd.	88.20	81.45
The Siam Administrative Management Co., Ltd. <sup>(3)</sup>	33.82	31.41
The Erawan Group PCL. <sup>(3)</sup>	0.16	0.99
	122.18	113.85

#### Relationship details:

- (1) Shares received from troubled debts restructuring
- (2) Major shareholder is an authorized director
- (3) Director and management is a major shareholder

## 6.34.3 Outstanding balances as at December 31, 2013 and 2012 are as follows;

Unit: Million Baht

	THE BANK'S FINANCIAL STATEMENTS	
	2013	2012
<b>Loans to financial institutions / Loans</b>		
Phatra Capital PCL.	1,800.00	850.00
Phatra Securities PCL.	600.00	-
KKTRADE Securities Co., Ltd.	-	125.00
CMIC Development Co., Ltd.	258.00	367.33
<u>Less</u> Allowance of doubtful accounts	(127.18)	(112.93)
Directors and management at the position of department head and above including their related persons who have control or significant influences	134.27	94.32
	2,665.09	1,323.72
<b>Accounts receivable / Other assets / Dividend receivable / Accrued interest</b>		
Phatra Capital PCL.	10.81	-
Phatra Securities PCL.	1.24	-
KKTRADE Securities Co., Ltd.	0.11	0.40
Phatra Asset Management Co., Ltd.	-	-
CMIC Development Co., Ltd.	17.36	15.50
	29.69	15.90
<b>Deposits</b>		
Phatra Securities PCL.	0.20	-
KKTRADE Securities Co., Ltd.	64.55	144.42
Erawan Law Office Co., Ltd.	44.26	55.93
Bangkok Capital Fund	52.49	342.04
Gamma Capital Fund	31.49	106.50
Directors and management at the position of department head and above including their related persons who have control or significant influences	476.51	422.88
	669.50	1,071.77
<b>Borrowings</b>		
KKTRADE Securities Co., Ltd.	25.00	-
Directors and management at the position of department head and above including their related persons who have control or significant influences	14.25	28.07
	39.25	28.07
<b>Other liabilities / Accrued interest expenses</b>		
Phatra Capital PCL.	58.55	-
Phatra Securities PCL.	0.58	-
KKTRADE Securities Co., Ltd.	10.15	20.73
The Siam Administrative Management Co., Ltd.	2.78	-
	72.06	20.73

As at December 31, 2013 the Bank issued a Letter of Guarantee to Phatra Securities PCL. in the amount of Baht 31.68 million (as at December 31, 2012 : Nil).

As at December 31, 2013 and 2012, a director of the Bank acted as a guarantor to the Bank's loan receivable in the amount of Baht 0.37 million and Baht 0.77 million, respectively.

### 6.35 Benefits paid to directors and executives

The Bank has no special benefits given to the directors and executives beyond the general benefits provided such as directors' remuneration, executives' salary and bonus (if any) included ESOP warrants as disclosed in Note 6.26. For the years ended December, 2013 and 2012, compensations paid to key management personnel are as follows;

Unit : Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2013	2012	2013	2012
Short-term employee benefits	366,363	270,297*	133,309	87,221*
Post-employment benefits	8,129	7,740	3,894	4,741
Total	374,492	278,037	137,203	91,962

\* The comparative figures have been revised in order to comply with the notification of the Office of the Securities and Exchange Commission as disclosed for the year ended December 31, 2013.

### 6.36 Operating lease commitments

As at December 31, 2013 and 2012, the Bank has operating lease commitments in respect of vehicle, office space, computer software and maintenance, and office equipment expenses from the statements of financial position dates as follows;

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS			
	2013			
	Vehicle rental expenses	Office rental expenses	Computer software and office equipment expenses	Total
Within the first year	-	156	45	201
Within the second year	1	94	4	99
Over three years	-	106	-	106
Total	1	356	49	406

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS			
	2012			
	Vehicle rental expenses	Office rental expenses	Computer software and office equipment expenses	Total
Within the first year	1	162	44	207
Within the second year	-	100	44	144
Over three years	1	113	4	118
Total	2	375	92	469

Unit: Million Baht

	THE BANK'S FINANCIAL STATEMENTS		
	2013		
	Office rental expenses	Computer software expenses	Total
Within the first year	137	44	181
Within the second year	83	4	87
Over three years	98	-	98
Total	318	48	366

Unit: Million Baht

	THE BANK'S FINANCIAL STATEMENTS		
	2012		
	Office rental expenses	Computer software expenses	Total
Within the first year	139	44	183
Within the second year	87	44	131
Over three years	103	3	106
Total	329	91	420

## 6.37 Operating segments

### 6.37.1 Operation result

Operation result classified by Commercial Banking Business, Capital Market Business and The Debt Restructuring Segment for the years ended December 31, 2013 and 2012 are as follows;

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS			
	2013			
	Commercial banking business	Capital market business	Debt restructuring segment	Total
Income from external clients				
Interest income, net	7,740	34	573	8,347
Fees and services income, net	1,552	2,800	5	4,357
Other income, net	(756)*	1,262	1,000	1,506
Total income from operating	8,536	4,096	1,578	14,210
Income between segments	1,439	38	10	1,487
Depreciation and amortization	343	112	8	463
Other expenses	4,003	1,788	325	6,116
Total other operating expenses	4,346	1,900	333	6,579
Impairment loss of loans and debt securities (reversal)	2,302	-	(62)	2,240
Profit from operating before income tax expenses	1,888	2,196	1,307	5,391
Income tax expenses	353	452	146	951
Net Income	1,535	1,744	1,161	4,440

\* This transaction includes loss from sales of repossessed vehicles of Baht 1,135 million.

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS			
	2012			
	Commercial banking business	Capital market business	Debt restructuring segment	Total
Income from external clients				
Interest income, net	6,395	16	701	7,112
Fees and services income, net	1,425	851	5	2,281
Other income, net	429	586	1,110	2,125
Total income from operating	8,249	1,453	1,816	11,518
Income between segments	1,149	35	79	1,263
Depreciation and amortization	386	50	9	445
Other expenses	4,209	807	468	5,484
Total other operating expenses	4,595	857	477	5,929
Impairment loss of loans and debt securities (reversal)	1,704	(1)	(147)	1,556
Profit from operating before income tax expenses	1,950	597	1,486	4,033
Income tax expenses	289	153	163	605
Net Income	1,661	444	1,323	3,428

The Bank discloses operating segments information in accordance with the Thai Financial Reporting Standard No.8 “Operating Segments” and under the same basis as internal management reports presented to the Bank’s chief operating decision maker for resources allocation to and performance evaluation of various segments. Accordingly, the Bank has divided reportable segments in accordance with the new structure of the Kiatnakin Phatra Financial Group and characteristics of segments operating in significantly diverse environment. These operating segments are; Commercial Banking Business, Capital Market Business, and the Debt Restructuring Segment under the Commercial Banking Business. Details of each operating segment are as follows;

- Commercial banking business consists of all commercial banking business except for the Debt restructuring segment
- Capital market business consists of Phatra Capital PCL., Phatra Securities PCL., KKTRADE Securities Co., Ltd., and Phatra Asset Management Co., Ltd.
- The Debt restructuring segment

Assessing the performance of operating segments is measured in accordance with Thai Financial Reporting Standard as adjusted in accordance with internal management accounting rules and practices. Amounts for each business segment are shown after the allocation of certain centralized costs and income between segments. Transactions between segments are eliminated on consolidation.

6.37.2 Total assets classified by Commercial Banking Business, Capital Market Business and The Debt Restructuring Segment as at December 31, 2013 and 2012 are as follows;

Unit: Million Baht

	Commercial banking business	Capital market business	Debt restructuring segment	Total
December 31, 2013	219,468	21,442	8,199	249,109
December 31, 2012	209,489	13,657	9,867	233,013

6.37.3 Reconciliation operating segments information

- Reconciliation between consolidated income from all segments and income for the years ended December 31, 2013 and 2012.
- Reconciliation between consolidated profit from all segments and profit from operating before income tax expenses for the years ended December 31, 2013 and 2012.
- Reconciliation between consolidated assets from all segments and total assets as at December 31, 2013 and 2012 are as follows;

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS	
	2013	2012
<b>Income</b>		
Consolidated income from all segments	15,697	12,781
Elimination of inter-segment income	(1,487)	(1,263)
Total income	14,210	11,518
<b>Profit</b>		
Consolidated profit from all segments	5,391	4,033
Elimination of inter-segment profit	-	-
Profit from operating before income tax expenses	5,391	4,033
<b>Assets</b>		
Consolidated assets from all segments	249,109	233,013
Elimination of inter-segment assets	-	-
Total assets	249,109	233,013

During the years ended December 31, 2013 and 2012, there is no revenue from transactions with a single external customer or counter party amounted to 10% or more of the Bank's total revenue.

The Bank operates only in Thailand thus no segment information by geographical area is presented.



**6.38 Interest income**

Interest income for the years ended December 31, 2013 and 2012 are as follows;

Unit: Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2013	2012	2013	2012
Interbank and money market items	327,152	644,993	251,837	614,597
Investment in debt securities	776,530	935,191	636,210	888,027
Investment in receivables	556,556	886,415	140,478	133,252
Loans	4,314,261	3,619,969	4,335,232	3,595,813
Hire-purchase and financial leases	9,834,173	8,365,135	9,834,173	8,365,135
Total interest income	15,808,672	14,451,703	15,197,930	13,596,824

**6.39 Interest expenses**

Interest expenses for the years ended December 31, 2013 and 2012 are as follows;

Unit: Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2013	2012	2013	2012
Deposits	5,144,736	3,819,556	5,144,877	3,841,506
Interbank and money market items	120,872	198,976	169,047	233,844
Contributions to Financial Institution Development Fund and Deposit Protection Agency	874,709	682,710	874,709	682,710
Debt issued				
- Senior securities	789,369	862,901	789,369	893,873
- Others	465,614	1,735,736	416,612	1,751,565
Fees and charges on borrowings	2,840	8,727	9,539	8,727
Others	63,555	30,347	-	-
Total interest expenses	7,461,695	7,338,953	7,404,153	7,412,225

**6.40 Fees and services income, net**

Fees and services income, net for the years ended December 31, 2013 and 2012 are as follows;

Unit: Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2013	2012	2013	2012
Fees and services income				
- Brokerage fees	2,418,741	849,618	-	-
- Bancassurance fees	972,546	928,220	972,546	928,220
- Acceptance, avals and guarantees	62,345	34,242	62,399	34,242
- Others	1,384,541	760,685	715,361	588,664
Total fees and services income	4,838,173	2,572,765	1,750,306	1,551,126
Fees and services expenses				
- Security management fees	252,085	56,911	-	-
- Others	228,881	235,236	162,768	150,271
Total fees and services expenses	480,966	292,147	162,768	150,271
Fees and services income, net	4,357,207	2,280,618	1,587,538	1,400,855

**6.41 Gain (loss) on trading and foreign exchange transactions, net**

Gain (loss) on trading and foreign exchange transactions, net for the years ended December 31, 2013 and 2012 are as follows;

Unit: Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2013	2012	2013	2012
Gain (loss) on trading and foreign exchange transactions				
- Foreign exchange	9,192	8,143	(7,303)	8,370
- Debt securities	(16,475)	6,909	(16,960)	6,853
- Equity securities	(494,043)	181,229	-	-
- Derivatives	944,007	29,584	(24,682)	-
Total	442,681	225,865	(48,945)	15,223

**6.42 Gain (loss) on investments, net**

Gain on investments, net for the years ended December 31, 2013 and 2012 are as follows;

Unit: Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2013	2012	2013	2012
Gain (loss) on sale of				
- Available-for-sale investments	635,120	444,283	79,054	112,560
- General investments	1,812	208	1,793	155
- Investments in subsidiaries	-	-	122,347	(49,706)
Total	636,932	444,491	203,194	63,009
Loss on impairment (reversal) of				
- Available-for-sale investments	3	156	3	156
- General investments	(167)	(1,343)	(167)	(1,343)
- Investments in subsidiaries	-	-	121,386	157,728
Total	(164)	(1,187)	121,222	156,541
Total gain on investments, net	636,768	443,304	324,416	219,550

**6.43 Other operating income**

Other operating income for the years ended December 31, 2013 and 2012 are as follows;

Unit: Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2013	2012	2013	2012
Penalty income	205,325	164,554	204,937	164,384
Profit from sales of fixed assets	24,861	10,204	23,279	8,006
Other income	45,787	33,956	18,275	12,577
Total other operating income	275,973	208,714	246,491	184,967

#### 6.44 Other expenses

Other expenses for the years ended December 31, 2013 and 2012 are as follows;

Unit: Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2013	2012	2013	2012
Repossessed cars expenses	152,813	82,775	152,813	82,775
Properties foreclosed expenses	104,574	87,482	104,574	87,482
Transportation expenses	161,171	142,810	134,079	128,710
Advertising and promotion expenses	285,342	505,890	256,060	488,872
Management fee of Mutual funds	17,684	26,053	-	-
Other intangible assets expenses	92,429	105,979	70,244	94,813
Other expenses	542,679	524,511	396,298	461,918
Total other expenses	1,356,692	1,475,500	1,114,068	1,344,570

#### 6.45 Impairment loss of loans and debt securities

Impairment loss of loans and debt securities for the years ended December 31, 2013 and 2012 are as follows;

Unit: Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2013	2012	2013	2012
Interbank and money market items	4,750	(11,600)	4,750	(11,600)
Loans	2,480,967	1,766,327	2,480,967	1,767,166
Loss on trouble debt restructuring	3,003	1,724	3,003	1,724
(Gain) loss on revaluation and impairment of investments in receivables	47,998	(919)	50,985	9,887
Gain from transferring investments in receivables to loans	(35,654)	(6,284)	(35,654)	(6,284)
	2,501,064	1,749,248	2,504,051	1,760,893
<u>Less</u> Bad debts recovered from loans and hire purchase receivables	(256,058)	(186,708)	(256,058)	(186,708)
Loss on impairment of investments of receivables (reversal)	(4,851)	(7,569)	(4,851)	(7,569)
Total	2,240,155	1,554,971	2,243,142	1,566,616

#### 6.46 Income tax expenses

Income tax expenses for the years ended December 31, 2013 and 2012 are as follows;

Unit: Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2013	2012	2013	2012
Current income tax for the year	955,430	540,121	588,795	396,601
Adjustment in respect of current income tax of previous year	(3,516)	(2,953)	(3,038)	(3,315)
Deferred tax	(871)	68,278	(91,950)	51,665
Total income tax expenses	951,043	605,446	493,807	444,951

Reconciliation of effective tax rate for the years ended December 31, 2013 and 2012.

	CONSOLIDATED FINANCIAL STATEMENTS				THE BANK'S FINANCIAL STATEMENTS			
	2013		2012		2013		2012	
	Thousand Baht	Rate (%)	Thousand Baht	Rate (%)	Thousand Baht	Rate (%)	Thousand Baht	Rate (%)
Profit before income tax	5,390,918		4,033,231		4,716,631		2,584,376	
Income tax at the domestic tax rate	1,078,184	20.00	927,643	23.00	943,326	20.00	594,406	23.00
Adjustment in respect of current income tax of previous year	(3,516)	(0.07)	(2,953)	(0.07)	(3,038)	(0.06)	(3,315)	(0.13)
Tax effect of income and expense that are not exempt for tax purposes	(123,625)	(2.29)	(319,244)	(7.92)	(446,481)	(9.47)	(146,140)	(5.65)
Income tax as statements of comprehensive income	951,043	17.64	605,446	15.01	493,807	10.47	444,951	17.22

According to the Royal Decree No. 555 B.E. 2555 issued under the Revenue Code regarding the corporate income tax rate reduction effective on December 27, 2012, the corporate income tax rates were reduced from 30% to 23% for an accounting period beginning on or after January 1, 2012 and 20% for two consecutive accounting period beginning on or after January 1, 2013.

Accordingly, the Bank and its subsidiaries used tax rates of 20% and 23% for the corporate income tax calculation for the years ended December 31, 2013 and 2012, respectively.

#### 6.47 Income tax relating to components of other comprehensive income

Income tax relating to components of other comprehensive income for the years ended December 31, 2013 and 2012 are as follows;

Unit: Thousand Baht

	CONSOLIDATED FINANCIAL STATEMENTS					
	2013			2012		
	Before Tax	Tax income (expenses)	Net Tax	Before Tax	Tax income (expenses)	Net Tax
Gain (loss) on remeasuring investments in receivables	14,240	3,830	18,070	(67,273)	460	(66,813)
Gain (loss) on remeasuring available-for-sale securities	(687,362)	133,308	(554,054)	81,446	(41,193)	40,253
Actuarial gain (loss) on defined benefit plan	(2,057)	411	(1,646)	15,814	(3,163)	12,651
Other comprehensive income	(675,179)	137,549	(537,630)	29,987	(43,896)	(13,909)

Unit: Thousand Baht

	THE BANK'S FINANCIAL STATEMENTS					
	2013			2012		
	Before Tax	Tax income (expenses)	Net Tax	Before Tax	Tax income (expenses)	Net Tax
Gain (loss) on remeasuring investments in receivables	(19,149)	3,830	(15,319)	(2,298)	460	(1,838)
Gain (loss) on remeasuring available-for-sale securities	(120,181)	24,040	(96,141)	73,644	(14,733)	58,911
Actuarial gain (loss) on defined benefit plan	8,802	(1,760)	7,042	-	-	-
Other comprehensive income	(130,528)	26,110	(104,418)	71,346	(14,273)	57,073

#### 6.48 Event after the reporting period

The numbers of 154,350 units of warrants have been converted into 154,350 ordinary shares. The Bank registered the increase in share capital with the Ministry of Commerce on January 7, 2014 resulting in the increase in issued and paid-up share capital of Baht 1,540,500 to Baht 8,389,874,590.

#### 6.49 Approval of financial statements

These financial statements have been approved for issuing by the Bank's authorized directors on February 24, 2014.

# Board of Directors and Management

As of December 31, 2013

## Mr. Supol Wattanavekin

Age : 58

(Appointed as the Director effective on : April 1, 1973)

- Chairman of the Board of Directors
- Chairman of the Risk Management Committee

### Education :

- Master of Business Administration (Executive), Sasin Graduate Institute of Business Administration of Chulalongkorn University
- Bachelor of Laws, Ramkhamhaeng University

### Director Training Programs :

- Chairman Forum 1/2013 Meeting the AEC Challenge : Role of the Chairman, Thai Institute of Directors Association (IOD)
- Conflict of Interest : Fighting abusive RPT, The Securities and Exchange Commission (SEC)
- Chairman Forum 2/2013, Role of the Chairman's business code of conduct, Thai Institute of Directors Association (IOD)
- Financial Institution Governance Program (FGP 2/2011), Thai Institute of Directors Association (IOD)
- The 5<sup>th</sup> SEACEN / ABAC / ABA / PECC Public Private Dialogue for the Asia Pacific Region (2009), The South East Asia Central Bank Research and Training Center, Malaysia
- Corporate Governance Report of Thai Listed Companies (2007), Thai Listed Companies Association
- Leadership, Strategic Growth and Change (2006), Sasin Graduate Institute of Business Administration of Chulalongkorn University
- Organizing and Managing Strategic Alliances for Success and Profit (2006), Sasin Graduate Institute of Business of Chulalongkorn University
- Director Certification Program (DCP 76/2006), Thai Institute of Directors Association (IOD)
- Director Accreditation Program (DAP 56/2006), Thai Institute of Directors Association (IOD)
- Orchestrating Winning Performance (2005), IMD International, Switzerland
- Board & CEO Assessment (2003), Thai Institute of Directors Association (IOD)
- The Role of the Chairman Program (RCP 1/2000), Thai Institute of Directors Association (IOD)

## Family Relationship with the Executive

- Ms.Thitinan Wattanavekin's brother

**KK shareholding :** 13,364,350 Shares

### Experience :

#### Kiatnakin Phatra Financial Group

- **2011 - Present** Chairman of the Board of Directors and Chairman of the Risk Management Committee, Kiatnakin Bank Public Company Limited
- **1999 - 2011** Director, KKTRADE Securities Company Limited
- **2007 - 2010** Director, Chairman of the Executive Committee and Chairman of the Risk Management Committee, Kiatnakin Bank Public Company Limited
- **2005 - 2007** Chairman of the Board of Directors, Kiatnakin Bank Public Company Limited

#### Other Listed Companies

- **2004 - Present** Director, The Erawan Group Public Company Limited

#### Non - Listed Companies

- **1990 - Present** Chairman, BTMU Leasing (Thailand) Company Limited

## Mr. Pichai Dachanapirom

Age : 67

- Independent Director (Appointed effective on : July 4, 2001)
- Chairman of the Audit Committee

### Education :

- B.A. (Accounting), Thammasat University
- Certified Public Accountant registration No. 2421

### Director Training Programs :

- Anti-Corruption for Executive Program (ACEP 4/2012), Thai Institute of Directors Association (IOD)
- Monitoring Fraud Risk Management (MFM 1/2009), Thai Institute of Directors Association (IOD)

- Monitoring the Internal Audit Function (MIA 4/2008) Thai Institute of Directors Association (IOD)
- Monitoring the System of Internal Control and Risk Management (MIR 1/2007), Thai Institute of Directors Association (IOD)
- Audit Committee Program (ACP 9/2005), Thai Institute of Directors Association (IOD)
- Director Certification Program (DCP 32/2003), Thai Institute of Directors Association (IOD)

**KK shareholding :** 100,000 Shares

#### Experience :

##### Kiatnakin Phatra Financial Group

- **2007 - Present** Independent Director and Chairman of the Audit Committee, Kiatnakin Bank Public Company Limited
- **Oct 2005 - 2007** Independent Director and Member of the Audit Committee, Kiatnakin Bank Public Company Limited
- **Jul 2001 - Oct 2005** Independent Director and Member of the Audit Committee, Kiatnakin Finance Public Company Limited

##### Non - Listed Companies

- **2001 - 2012** Director, Dharmniti Press Company Limited
- **1998 - 2012** Director, Dharmniti Seminar and Training Company Limited
- **1998 - 2012** Director, Dharmniti Office of Management Development Company Limited
- **1998 - 2007** Director, Dharmniti And Truth Company Limited
- **1990 - Present** Director, Grand Success Company Limited
- **1989 - Present** Director, Dharmniti Public Company Limited
- **1986 - Present** Managing Director, Dharmniti Auditing Company Limited

#### Assoc. Prof. Manop Bongsadadt

**Age :** 72

- Independent Director (*Appointed effective on : June 21, 2004*)
- Chairman of the Nomination and Remuneration Committee

#### Education :

- Master of Regional Planning, Institute of Social Studies, The Netherlands
- Master of Architecture, Kansas State University, U.S.A.
- Bachelor of Architecture, Chulalongkorn University

#### Director Training Programs :

- Role of the Nomination and Governance Committee (RNG 1/2011), Thai Institute of Directors Association (IOD)
- Director Certification Program (DCP 150/2011), Thai Institute of Directors Association (IOD)
- Role of The Compensation Committee (RCC 8/2009), Thai Institute of Directors Association (IOD)
- Role of the Chairman Program (RCP 17/2007), Thai Institute of Directors Association (IOD)
- Audit Committee Program (ACP 10/2005), Thai Institute of Directors Association (IOD)
- Director Accreditation Program (DAP 8/2004), Thai Institute of Directors Association (IOD)

**KK shareholding :** 75,000 Shares

#### Experience :

##### Kiatnakin Phatra Financial Group

- **2006 - Present** Chairman of the Nomination and Remuneration Committee, Kiatnakin Bank Public Company Limited
- **Oct 2005 - Present** Independent Director, Kiatnakin Bank Public Company Limited
- **Jun 2004 - Oct 2005** Independent Director, Kiatnakin Finance Public Company Limited



**Other Listed Companies**

- **2004 - Present** Member of the Audit Committee, The Erawan Group Public Company Limited
- **2003 - Present** Chairman of the Board of Directors, Rasa Property Development Public Company Limited

**Non - Listed Companies**

- **2012 - Present** Chairman of the Board of Director, Worluk Property Public Company Limited
- **2006 - Present** Director, Krungthep Thanakom Company Limited
- **2002 - Present** Associate Professor, Faculty of Architecture, Chulalongkorn University
- **1992 - Present** Director, Tubkaew-Hori Kindergarten School and Nursery

**Mr. Chet Pattrakornkul**

Age : 65

*(Appointed as the Director effective on : April 7, 2005)*

- Independent Director *(Appointed effective on : April 7, 2006)*
- Chairman of the Compliance and Governance Committee
- Member of the Audit Committee
- Member of the Nomination and Remuneration Committee

**Education :**

- Master in Marketing (Certificate program), Thammasart University
- Bachelor's Degree in Public Administration, Ramkhamhaeng University

**Director Training Programs :**

- Financial Institutions Governance Program (FGP 2013), Thai Institute of Directors Association (IOD)
- "The Updated COSO's 2013 Integrated Internal Control : what the Board and Managements should do", Thai Institute of Directors Association (IOD)
- The 2<sup>nd</sup> National Director Conference 2013 "Board Leadership Evolution", Thai Institute of Directors Association (IOD)

- Role of the Nomination and Governance Committee (RNG 1/2011), Thai Institute of Directors Association (IOD)
- Financial Institutes Reform in Thailand from Present to the Future (2010), Thai Institute of Directors Association (IOD)
- Economy After the Crisis (2010), Thai Institute of Directors Association (IOD)
- The Board's Role on Fraud Prevention and Detection (2010), Thai Institute of Directors Association (IOD)
- Monitoring the System of Internal Control and Risk Management (MIR 5/2009), Thai Institute of Directors Association (IOD)
- Monitoring of the Quality of Financial Reporting (MFR 7/2009), Thai Institute of Directors Association (IOD)
- Monitoring Fraud Risk Management (MFM 1/2009), Thai Institute of Directors Association (IOD)
- Board and Director Performance Evaluation (R-WS workshop 2/2008), Thai Institute of Directors Association (IOD)
- Corporate Governance Report of Thai Listed Companies (2007), Thai Listed Companies Association
- Monitoring the Internal Audit Function (MIA 1/2007), Thai Institute of Directors Association (IOD)
- Audit Committee Program (ACP 17/2007), Thai Institute of Directors Association (IOD)
- Role of the Compensation Committee (RCC 1/2006), Thai Institute of Directors Association (IOD)
- DCP Refresher Course (3/2006), Thai Institute of Directors Association (IOD)
- Director Certification Program (DCP 9/2001), Thai Institute of Directors Association (IOD)

**KK shareholding :** 50,000 Shares**Experience :****Kiatnakin Phatra Financial Group**

- **2011 - Present** Chairman of the Compliance and Governance Committee, Kiatnakin Bank Public Company Limited
- **2007 - Present** Member of the Audit Committee, Kiatnakin Bank Public Company Limited
- **2006 - Present** Member of the Nomination and Remuneration Committee, Kiatnakin Bank Public Company Limited

- **Apr 2006 - Present** Independent Director, Kiatnakin Bank Public Company Limited
- **Oct 2005 - Apr 2006** Director, Kiatnakin Bank Public Company Limited
- **Apr 2005 - Oct 2005** Director, Kiatnakin Finance Public Company Limited

## Mr. Pravit Varutbangkul

Age : 66

(Appointed as the Director effective on : August 20, 1996)

- Independent Director  
(Appointed effective on : November 25, 2010)
- Member of the Audit Committee
- Member of the Compliance and Governance Committee
- Member of the Nomination and Remuneration Committee

### Education :

- Master of Business Administration - Operations Research & General, University of Santa Clara, Santa Clara, California, U.S.A.
- Bachelor of Science - Operations Research & Finance Brigham Young University, Provo, Utah, U.S.A.

### Director Training Programs :

- The 2<sup>nd</sup> National Director Conference 2013 "Board Leadership Evolution", Thai Institute of Directors Association (IOD)
- Financial Institutions Governance Program (FGP 2013), Thai Institute of Directors Association (IOD)
- Effective Business Performance Leadership (5/2008), Thai Institute of Directors Association (IOD)
- Monitoring Strategy Implementation and Execution (2008), Thai Institute of Directors Association (IOD)
- Improving The Quality of Financial Reporting (QFR 5/2007), Thai Institute of Directors Association (IOD)
- Audit Committee Program (ACP 16/2007), Thai Institute of Directors Association (IOD)
- DCP Refresher Course (3/2006), Thai Institute of Directors Association (IOD)
- Director Certification Program (DCP 5/2001), Thai Institute of Directors Association (IOD)

**KK shareholding** : 250,000 Shares

### Experience :

#### Kiatnakin Phatra Financial Group

- **2013 - Present** Member of the Nomination and Remuneration Committee, Kiatnakin Bank Public Company Limited
- **2011 - Present** Member of the Audit Committee and Member of the Compliance and Governance Committee, Kiatnakin Bank Public Company Limited
- **Nov 2010 - Present** Independent Director, Kiatnakin Bank Public Company Limited
- **2009 - 2011** Member of the Audit Committee, KKTRADE Securities Company Limited
- **2007 - 2011** Director, KKTRADE Securities Company Limited
- **2005 - 2010** Director, Kiatnakin Bank Public Company Limited
- **1996 - 2005** Director, Kiatnakin Finance Public Company Limited

## Dr. Anumongkol Sirivedhin

Age : 69

- Independent Director (Appointed effective on : April 26, 2012)
- Member of the Audit Committee
- Member of the Nomination and Remuneration Committee

### Education :

- PhD in Computer Science, University of Wisconsin at Madison, U.S.A
- MSc in Computer Science, University of Wisconsin at Madison, U.S.A.
- MSc in Mathematics, University of Auckland, New Zealand
- BSc in Mathematics, University of Auckland, New Zealand

### Director Training Programs :

- Monitoring the Internal Audit Function (MIA 2013), Thai Institute of Directors Association (IOD)

- Monitoring Fraud Risk Management (MFM 2013), Thai Institute of Directors Association (IOD)
- Monitoring the Quality of Financial Reporting (MFR 2013), Thai Institute of Directors Association (IOD)
- Monitoring the System of Internal Control and Risk Management (MIR 2013), Thai Institute of Directors Association (IOD)
- Finance for Non-Finance Director (FND 34/2007), Thai Institute of Directors Association (IOD)
- Audit Committee Program (ACP 13/2006), Thai Institute of Directors Association (IOD)
- The Role of the Chairman Program (RCP 12/ 2005), Thai Institute of Directors Association (IOD)
- Director Certification Program (DCP 26/2003), Thai Institute of Directors Association (IOD)

**KK shareholding :** 18,270 Shares

#### Experience :

##### Kiatnakin Phatra Financial Group

- **2013 - Present** Member of the Nomination and Remuneration Committee, Kiatnakin Bank Public Company Limited
- **Apr 2012 - Present** Independent Director and Member of the Audit Committee, Kiatnakin Bank Public Company Limited
- **2010 - 2012** Independent Director and Chairman of the Audit Committee, Phatra Capital Public Company Limited
- **2005 - 2012** Independent Director and Chairman of the Audit Committee, Phatra Securities Public Company Limited

##### Non - Listed Companies

- **2006 - Present** Chairman of the Board of Directors, System Little House Company Limited
- **2003 - 2012** Member of Public State Enterprises Evaluation Committee, Ministry of Finance
- **2007 - 2010** President, Dhurakij Pundit University
- **2002 - 2007** Chairman of the Board of Directors and Chairman of the Executive Board, Krunghthai Computer Services Company Limited

## Mr. Pongtep Polanun

**Age :** 59

- Independent Director (*Appointed effective on : April 26, 2012*)

#### Education :

- M.M., Sasin Graduate Institute of Business Administration of Chulalongkorn University
- M.S., The Economics National Institute of Development Administration
- B.S., Economics, Thammasat University

#### Director Training Programs :

- Director Accreditation Program (DAP 36/2005), Thai Institute of Directors Association (IOD)

**KK shareholding :** 488 Shares

#### Experience :

##### Kiatnakin Phatra Financial Group

- **Apr 2012 - Present** Independent Director, Kiatnakin Bank Public Company Limited
- **2010 - 2012** Independent Director and Member of the Audit Committee, Phatra Capital Public Company Limited
- **2003 - 2012** Independent Director and Member of the Audit Committee, Phatra Securities Public Company Limited

##### Other Listed Companies

- **Jan 2013 - Present** Advisor to Managing Director, Muang Thai Insurance Public Company Limited
- **2002 - Present** Vice Chairman of the Board, Independent Director and Member of the Audit Committee, Advanced Information Technology Public Company Limited
- **2010 - 2011** Advisor to Managing Director, Muang Thai Insurance Public Company Limited
- **2010 - 2011** Executive Director, Krung Thai Bank Public Company Limited
- **2009 - 2010** Independent Director, Phatra Leasing Public Company Limited

- **2000 - 2012** Advisor to Managing Director, The Royal Ceramic Industry Public Company Limited

#### Non - Listed Companies

- **2010 - 2012** Chairman of the Board of Directors, Krung Thai IBJ Leasing Company Limited
- **2007 - Present** Director, K.S.P. Square Company Limited

### Mr. Tarnin Chirasoonton

Age : 61

- Director (*Appointed effective on : January 8, 1999*)
- Member of the Compliance and Governance Committee

#### Education :

- Bachelor of Law, Ramkhamhaeng University

#### Director Training Programs :

- Role of the Nomination and Governance Committee (RNG 1/2011), Thai Institute of Directors Association (IOD)
- DCP Refresher Course (5/2007), Thai Institute of Directors Association (IOD)
- Director Certificate Program (DCP10/2001), Thai Institute of Directors Association (IOD)

**KK shareholding :** 75,000 Shares

#### Experience :

##### Kiatnakin Phatra Financial Group

- **2011 - Present** Member of the Compliance and Governance Committee, Kiatnakin Bank Public Company Limited
- **2011 - Present** Chairman of the Board of Directors, Erawan Law Office Company Limited
- **2009 - 2011** Managing Director, Erawan Law Office Company Limited
- **2005 - Present** Director, Kiatnakin Bank Public Company Limited
- **1999 - 2005** Director, Kiatnakin Finance Public Company Limited

### Mr. Suraphol Kulsiri

Age : 61

- Director (*Appointed effective on : June 21, 2004*) (Authorized director)

#### Education :

- Bachelor of Business Administration (Marketing), Bangkok University

#### Director Training Programs :

- Role of the Chairman Program (RCP 23/2010), Thai Institute of Directors Association (IOD)
- Successful Formulation and Execution of Strategy (SFE 7/2010), Thai Institute of Directors Association (IOD)
- Role of the Compensation Committee (RCC 3/2007), Thai Institute of Directors Association (IOD)
- Director Certification Program (DCP 13/2001), Thai Institute of Directors Association (IOD)

**KK shareholding :** 60,000 Shares

#### Experience :

##### Kiatnakin Phatra Financial Group

- **2011 - Present** Member of the Main Credit and Foreclosed Property Committee, Kiatnakin Bank Public Company Limited
- **Oct 2005 - Present** Director, Kiatnakin Bank Public Company Limited
- **Jun 2004 - Oct 2005** Director, Kiatnakin Finance Public Company Limited
- **2003 - 2011** Director and Chairman of the Executive Committee, KKTRADE Securities Company Limited

#### Other Listed Companies

- **2005 - 2009** Chairperson of Information Technology Club, Association of Securities Company Limited
- **2005 - 2007** Director, The Stock Exchange of Thailand
- **2005 - 2007** Director, Settrade Company Limited

**Mr. Suvit Mapaisansin**

Age : 54

- Director (*Appointed effective on : September 12, 2012*)  
(Authorized director)
- Member of the Executive Committee

**Education :**

- Master of Management, Sasin Graduate Institute of Business Administration of Chulalongkorn University
- Bachelor of Economics, Chulalongkorn University

**Director Training Programs :**

- Director Certification Program (DCP 12/2001), Thai Institute of Directors Association (IOD)
- Audit Committee Program (ACP 37/2011), Thai Institute of Directors Association (IOD)

**KK shareholding :** 5,029,406 Shares**Experience :****Kiatnakin Phatra Financial Group**

- **2014 - Present** Advisor, Phatra Capital Public Company Limited
- **2012 - Present** Director, Kiatnakin Bank Public Company Limited
- **2012 - Present** Chairman of Board of Directors, KKTRADE Securities Company Limited
- **2012 - Present** Chairman of the Board of Directors, Phatra Asset Management Company Limited
- **2010 - Present** Director, Phatra Capital Public Company Limited
- **2003 - Present** Director, Phatra Securities Company Limited
- **2010 - 2012** Executive Director, Phatra Capital Public Company Limited
- **2009 - 2012** Executive Director, Phatra Securities Public Company Limited
- **2003 - 2009** Chief Executive Officer, Phatra Securities Public Company Limited

**Other Listed Companies**

- **2011 - 2012** Chairman of the Audit Committee, Krungthai Card Public Company Limited
- **2009 - 2012** Independent Director, Krungthai Card Public Company Limited

**Non - Listed Companies**

- **2012 - Present** Independent Director and Member of the Audit Committee, Golden Lime Public Company Limited

**Mr. Banyong Pongpanich**

Age : 59

- Director (*Appointed effective on : April 26, 2012*)  
(Authorized Director)
- Chief Executive Officer  
(*Appointed effective on : September 12, 2012*)
- Chairman of Executive Committee
- Member of the Risk Committee

**Education :**

- Master of Business Administration, Sasin Graduate Institute of Business Administration of Chulalongkorn University
- BA Economics, Chulalongkorn University

**Director Training Programs :**

- Anti-Corruption for Executive Program (ACEP 2/2012), Thai Institute of Directors Association (IOD)
- Director Accreditation Program (DAP 36/2005), Thai Institute of Directors Association (IOD)
- The Role of the Chairman Program (RCP 5/2001), Thai Institute of Directors Association (IOD)

**KK shareholding :** 2,000,046 Shares

**Experience :****Kiatnakin Phatra Financial Group**

- **2012 - Present** Director, Chief Executive Officer, Chairman of Executive Committee and Member of the Risk Committee, Kiatnakin Bank Public Company Limited
- **2010 - Present** Chairman of the Board of Director, Phatra Capital Public Company Limited
- **2003 - Present** Chairman of the Board of Director, Phatra Securities Company Limited

**Other Listed Companies**

- **2009 - 2011** Director, Thai Airways International Public Company Limited
- **2004 - Present** Independent Director, The Erawan Group Public Company Limited
- **2003 - Present** Independent Director, Member of the Audit Committee and Chairman of the Nomination and Remuneration Committee, Muang Thai Insurance Public Company Limited

**Non - Listed Companies**

- **2012 - Present** Director and Executive Director, Thailand Development Research institute (TDRI)
- **2011 - Present** Director and Executive Director, Buddhadasa Indapanno Archives
- **2008 - 2011** Capital Market Development Committee, Sub-Committee to Formulate Capital Market Development Master Plan, Ministry of Finance
- **2007 - Present** Independent Director, Don Muang Tollway Public Company Limited
- **2002 - Present** Director and Executive Director, Mae Fah Luang Foundation
- **2002 - Present** Member of Advisory Council, Sasin Graduate Institute of Business Administration of Chulalongkorn University
- **2003 - 2008** President of Economic Association, Chulalongkorn University

**Mr. Aphinant Klewpatinond****Age : 44**

- Director (*Appointed effective on : September 12, 2012*)  
(Authorized director)
- President and Chairman of Commercial Banking Business  
(*Appointed effective on : April 1, 2013*)
- Member of the Executive Committee
- Member of the Risk Management Committee

**Education :**

- Master of Business Administration (Finance), University of Maryland at College Park
- Bachelor of Accounting, Chulalongkorn University

**Director Training Programs :**

- Directors Accreditation Program (DAP 82/2010), Thai Institute of Directors Association (IOD)

**KK shareholding : 550,000 Shares****Experience :****Kiatnakin Phatra Financial Group**

- **2013 - Present** Director, President and Chairman of Commercial Banking Business, Member of the Executive Committee and Member of the Risk Management Committee, Kiatnakin Bank Public Company Limited
- **2012 - 2013** Director, Chairman of Capital Market Business and President, Member of the Executive Committee and Member of the Risk Management Committee, Kiatnakin Bank Public Company Limited
- **2012 - Present** Director, KKTRADE Securities Company Limited
- **2012 - Present** Director, Phatra Asset Management Company Limited
- **2010 - Present** Director, Phatra Capital Public Company Limited
- **2010 - Present** Director, Phatra Securities Public Company Limited

- **2010 - 2012** Chief Executive Officer, Phatra Capital Public Company Limited
- **2009 - 2012** Chief Executive Officer, Phatra Securities Public Company Limited
- **2007 - 2009** Managing Director (Head of Investment Banking Department), Phatra Securities Public Company Limited

#### Other Listed Companies

- **2011 - Aug 2013** Independent Director and Member of Audit Committee, Sriracha Construction Public Company Limited

### Mr. Krittiya Veeraburus

Age : 44

- Director (*Appointed effective on : May 18, 2013*)
- Chairman of Capital Market Business (*Appointed effective on : April 1, 2013*)
- First Executive Vice President
- Head of Corporate Strategy (*Appointed effective on : October 15, 2010*)
- Member of the Executive Committee
- Member of the Risk Management Committee

#### Education :

- Master of Business Administration, Golden Gate University, U.S.A.
- BBA in Management, Chulalongkorn University

#### Director Training Programs :

- Director Accreditation Program (DAP 1/2008), Thai Institute of Directors Association (IOD)

**KK shareholding :** 172 Shares

#### Experience :

##### Kiatnakin Phatra Financial Group

- **2013 - Present** Director, Chairman of Capital Market Business and Member of the Risk Management Committee, Kiatnakin Bank Public Company Limited

- **2013 - Present** President, Phatra Capital Public Company Limited and Phatra Securities Public Company Limited
- **2013 - Present** Director, Phatra Asset Management Company Limited
- **2013 - Present** Director, KKTRADE Securities Company Limited
- **2012 - Present** Member of the Executive Committee and Head of Corporate Strategy, Kiatnakin Bank Public Company Limited

- **Sep 2012 - Apr 2013** Managing Director (Head of Investment and Trading Group), Phatra Capital Public Company Limited, Phatra Securities Public Company Limited
- **Apr - Sep 2012** Director, Kiatnakin Bank Public Company Limited

- **2011 - Sep 2012** Managing Director (Head of Direct Investment Department), Phatra Capital Public Company Limited
- **2009 - 2010** Managing Director (Head of Direct Investment Group), Phatra Securities Public Company Limited

- **2008 - 2009** Executive Vice President (Head of Director Investment Department), Phatra Securities Public Company Limited

#### Other Listed Companies

- **2008 - 2010** Director, CS Loxinfo Public Company Limited

#### Non - Listed Companies

- **2006 - Present** Director, The Palm Cha Am Company Limited



**Miss Thitinan Wattanavekin**

Age : 56

- Director (*Appointed effective on : January 1, 2011*)  
(Authorized director)
- First Executive Vice President
- Head of Priority Banking Group  
(*Appointed effective on : September 1, 2011*)
- Member of the Executive Committee

**Education :**

- Master of Management, Sasin Graduate Institute of Business Administration of Chulalongkorn University
- Bachelor of Public Affairs, University of Southern California, U.S.A.

**Director Training Programs :**

- Financial Institutions Governance Program (FGP 5/2012), Thai Institute of Directors Association (IOD)
- Financial Planning for Executive (2012), Thai Financial Planners Association
- Corporate Governance and Social Responsibility (CSR 1/2007), Thai Institute of Directors Association (IOD)
- Capital Market for Executives (CMA/2006), Capital Market Academy
- Board Performance Evaluation (2006), Thai Institute of Directors Association (IOD)
- DCP Refresher Course (1/2005), Thai Institute of Directors Association (IOD)
- Directors Certification Program (DCP 1/2000), Thai Institute of Directors Association (IOD)

**Family Relationship with the Executive**

- Mr. Supol Wattanavekin's sister

KK shareholding : 35,345,261 Shares

**Experience :****Kiatnakin Phatra Financial Group**

- **2012 - Present** Director, First Executive Vice President, Head of Priority Banking Group and Member of the Executive Committee, Kiatnakin Bank Public Company Limited

• **2012 - Present**

Director, Phatra Capital Public Company Limited

• **2012 - Present**

Director, Phatra Securities Public Company Limited

• **2011 - 2012**

Director, Member of the Executive Committee, Member of the Risk Management Committee and Head of Priority Banking Group, Kiatnakin Bank Public Company Limited

• **1999 - 2013**

Director, KKTRADE Securities Company Limited

• **2005 - 2010**

Director, Member of the Risk Management Committee and Head of Deposit and Marketing, Kiatnakin Bank Public Company Limited

**Non - Listed Companies**• **2006 - 2011**

Director, Chai Talay Hotel Company Limited

**Mr. Pracha Chumnarnkitkosol**

Age : 51

- Director (*Appointed effective on : April 25, 2013*)
- First Executive Vice President
- Head of Special Asset Management Group  
(*Appointed effective on : October 1, 2012*)
- Member of the Executive Committee
- Member of the Risk Management Committee

**Education :**

- Master of Business Administration (Finance), University of Texas Arlington, U.S.A.
- Bachelor of Engineering, Chulalongkorn University

**Director Training Programs :**

- TLCA Executive Development Program (EDP 8/2011), Thai Listed Companies Association
- Senior Executive Program (SEP-22) (2008), Sasin Graduate Institute of Business Administration of Chulalongkorn University

- Overview of Current Macro Economic Condition Prudential Regulation-Impact to Thai Corporation (2007), The Thai Banker's Association
- Blue Ocean Strategy (STRATEGIC) (2007), Business Development Center
- EVA : Managing for Value Creation (2006), Sasin Graduate Institute of Business Administration of Chulalongkorn University
- Director Certification Program (DCP 75/2006), Thai Institute of Directors Association (IOD)
- Risk Management (2005), The Thai Institute of Banking and Finance Association

**KK shareholding : -**

#### **Experience :**

##### **Kiatnakin Phatra Financial Group**

- **2013 - Present** Director, Kiatnakin Bank Public Company Limited
- **2012 - Present** First Executive, Vice President Head of Special Asset Management Group, Member of the Executive Committee and Member of the Risk Management Committee, Kiatnakin Bank Public Company Limited
- **2012 - Present** Director, Phatra Capital Public Company Limited
- **2012 - Present** Director, Phatra Securities Public Company Limited
- **2011 - 2012** Director, Member of the Executive Committee, Member of the Risk Management Committee and Member of the Main Credit and Foreclosed Property Committee, Kiatnakin Bank Public Company Limited
- **2006 - 2011** Director, Member of the Risk Management Committee and Head of Risk Management, Kiatnakin Bank Public Company Limited

#### **Mr. Chavalit Chindavanig**

**Age : 50**

- First Executive Vice President
- Head of Finance and Budgeting Group  
(Appointed effective on : July 23, 2007)
- Member of the Risk Management Committee

#### **Education :**

- Master of Business Administration, Eastern Michigan University, U.S.A.
- Bachelor of Mechanical Engineering, Chulalongkorn University

#### **Training Programs :**

- Monitoring the System of Internal Control and Risk Management (MIR 12/2012), Thai Institute of Directors Association (IOD)
- Monitoring the Quality of Financial Reporting (MFR 14/2012), Thai Institute of Directors Association (IOD)
- Monitoring the Internal Audit Function (MIA 11/2011), Thai Institute of Directors Association (IOD)
- Monitoring Fraud Risk Management (MFM 6/2011), Thai Institute of Directors Association (IOD)
- Audit Committee Program (ACP 37/2011), Thai Institute of Directors Association (IOD)
- TLCA Executive Development Program (EDP 2/2008), Thai Listed Companies Association
- Directors Certification Program (DCP 76/2006), Thai Institute of Directors Association (IOD)
- Directors Accreditation Program (DAP 21/2004), Thai Institute of Directors Association (IOD)

**KK shareholding : 281,250 Shares**

#### **Experience :**

##### **Kiatnakin Phatra Financial Group**

- **2012 - Present** First Executive Vice President, Head of Finance and Budgeting and Member of the Risk Management Committee, Kiatnakin Bank Public Company Limited

- **2007 - 2012** Head of Finance and Budgeting, Member of the Executive Committee and Member of the Risk Management Committee, Kiatnakin Bank Public Company Limited
- **2012 - Present** Director, Phatra Capital Public Company Limited
- **2012 - Present** Director, Phatra Securities Public Company Limited
- **2011 - Present** Director and Member of the Audit Committee, Phatra Asset Management Company Limited
- **2011 - 2012** Head of Strategy and Organization Development, Kiatnakin Bank Public Company Limited
- **2010 - Present** Member of the Audit Committee, KKTRADE Securities Company Limited
- **2009 - Present** Director, KKTRADE Securities Company Limited
- **2009 - Present** Director, Erawan Law Office Limited

## Mr. Chaiwat Lertvanarin

Age : 54

- First Executive Vice President
- Head of Information Technology Group  
(Appointed effective on : January 20, 2012)

### Education :

- Master of Business Administration, Ramkhamhaeng University
- Bachelor of Science, Kasetsart University

### KK shareholding : -

### Experience :

#### Kiatnakin Phatra Financial Group

- **2012 - Present** First Executive Vice President, Head of Information Technology Group, Kiatnakin Bank Public Company Limited

### Non - Listed Companies

- **2007 - 2011** Vice President of Information Technology, United Overseas Bank (Thai) Public Company Limited
- **2006 - 2011** Associate Judge, Central Intellectual Property and International trade Court

## Mr. Thawatchai Techawatanawana

Age : 48

- First Executive Vice President
- Head of Corporate Banking Group  
(Appointed effective on : September 28, 2012)

### Education :

- Master of Business Administration (MBA. Finance), Sasin Graduate Institute of Business Administration of Chulalongkorn University
- Bachelor of Engineering(Electrical), King Mongkut's Institute of Technology, Ladkrabang
- Bachelor of Laws, Ramkhamhaeng University

### Training Programs :

- Director Certification Program (DCP 98/2008), Thai Institute of Directors Association (IOD)

### Experience :

#### Kiatnakin Phatra Financial Group

- **2012 - Present** First Executive Vice President, Head of Corporate Banking Group, Kiatnakin Bank Public Company Limited

### Other Listed Companies

- **2008 - 2010** Executive Vice President, TMB Bank Public Company Limited
- **2006 - 2008** Senior Vice President, TMB Bank Public Company Limited

**Mr. Preecha Techarungchaikul**

Age : 43

- First Executive Vice President
  - Head of Financial Markets Group
- (Appointed effective on : March 6, 2013)*

**Education :**

- Master of Science (Finance), University of Colorado at Denver, U.S.A.
- Bachelor of Business Administration (Industrial Management), Thammasat University

**KK shareholding : -****Experience :****Kiatnakin Phatra Financial Group**

- **2012 - Present** First Executive Vice President, Head of Financial Markets Group, Kiatnakin Bank Public Company Limited

**Other Listed Companies**

- **Jul 2008 - Sep 2010** Head of Trading, Siam Commercial Bank Public Company Limited

**Non - Listed Companies**

- **2010 - Jan 2011** Head of Markets, Royal Bank of Scotland
- **Jul 2000 - Jun 2008** Head of Rates Trading, The Hongkong and Shanghai Banking Corporation Limited

**Dr. Popanit Poommarapan**

Age : 51

- First Executive Vice President
  - Head of Risk Management Group
- (Appointed effective on : October 1, 2012)*

**Education :**

- Ph.D. in Engineering Management, Missouri University of Science and Technology, U.S.A. (University of Missouri-Rolla)
- Operations Research, Wichita State University, KS, U.S.A.
- Master of Science (Engineering Management), University of Louisiana at Lafayette, U.S.A.

- Bachelor of Engineering (Electrical Engineering), Chulalongkorn University

**KK shareholding : -****Experience :****Kiatnakin Phatra Financial Group**

- **2012 - Present** First Executive Vice President, Head of Risk Management, Kiatnakin Bank Public Company Limited
- **2008 - 2012** Assistant Managing Director, Phatra Securities Public Company Limited

**Other Listed Companies**

- **2005 - 2008** Senior Vice President, TMB Bank Public Company Limited

**Mrs. Patraporn Milindasuta**

Age : 50

- First Executive Vice President
  - Chief Governance Officer
- (Appointed effective on : June 13, 2013)*

**Education :**

- Master of Laws, Chulalongkorn University
- Bachelor of Laws, Thammasat University
- Barrister-at-Law (Thai Bar)

**Training Programs :**

- TLCA Executive Development Program, Thai Listed Companies Association
- The Advanced Senior Executive Program, Sasin Graduate Institute of Business Administration of Chulalongkorn University
- Company Secretary Program, Thai Institute of Directors Association (IOD)
- Compliance Officer, Faculty of Law, Chulalongkorn University

**KK shareholding : -**

**Experience :****Kiatnakin Phatra Financial Group**

- **2013 - Present** Chief Governance Officer, Kiatnakin Bank Public Company Limited
- **May 2013 - Present** Managing Director and Chief Administrative Officer, Phatra Capital Public Company Limited
- **2012 - Present** Director, Phatra Capital Public Company Limited,  
Director, Phatra Securities Public Company Limited,  
Director, KKTRADE Securities Company Limited and  
Director, Phatra Asset Management Company Limited
- **Apr - Sep 2012** Director, Kiatnakin Bank Public Company Limited
- **Feb - Apr 2013** Acting President, Phatra Capital Public Company Limited
- **Feb - Apr 2013** Acting President, Phatra Securities Public Company Limited
- **2011 - Jan 2013** Managing Director and Chief Administrative Officer, Phatra Capital Public Company Limited
- **Feb 2007 - Jan 2013** Managing Director and Chief Administrative Officer, Phatra Securities Public Company Limited
- **2004 - Jan 2007** Executive Vice President, Phatra Securities Public Company Limited

**Mr. Manit Wannavanit****Age : 47**

- First Executive Vice President
- Head of Sales Distribution Group  
(Appointed effective on : September 4, 2012)

**Education :**

- Master of Public Administration, National Institute of Development Administration
- Bachelor of Economics, Ramkamhaeng University

**KK shareholding : 30,000 Shares****Experience :****Kiatnakin Phatra Financial Group**

- **2012 - Present** First Executive Vice President, Head of Sales Distribution Group, Kiatnakin Bank Public Company Limited

**Other Listed Companies**

- **Apr - Aug 2012** Executive Vice President, Provincial Branch Business Division, Distribution Group, Bank of Ayudhya Public Company Limited
- **2010 - Apr 2012** Senior Vice President, Bank of Ayudhya Public Company Limited
- **2008 - 2010** Regional Manager, Bank of Ayudhya Public Company Limited
- **2007 - 2008** Deputy Regional Manager, Bank of Ayudhya Public Company Limited

**Mr. Sarawut Charuchinda****Age : 55**

- First Executive Vice President
- Head of Commercial Lending Group  
(Appointed effective on : October 1, 2012)

**Education :**

- Master of Business Administration (Finance), University of Mississippi, U.S.A.
- Bachelor of Accountancy (2<sup>nd</sup> Class Honors), Chulalongkorn University

**Training Programs :**

- Directors Certification Program (DCP 31/2003), Thai Institute of Directors Association (IOD)

**KK shareholding : 110,000 Shares****Experience :****Kiatnakin Phatra Financial Group**

- **2012 - Present** First Executive Vice President, Head of Commercial Lending Group, Kiatnakin Bank Public Company Limited

- **2011 - Present** Managing Director, Erawan Law Office Company Limited
- **2005 - 2012** Head of Debt Restructuring, Member of the Executive Committee, Member of the Risk Management Committee and Member of the Main Credit and Foreclosed Property Committee, Kiatnakin Bank Public Company Limited

#### Other Listed Companies

- **2012 - Present** Independent Director and Member of the Audit Committee, Unionauction Public Company Limited

#### Non - Listed Companies

- **2013 - Present** Independent Director and Chairman of the Audit Committee, Thai Packaging Industry Public Company Limited

### Dr. Anuchit Anuchitanukul

Age : 42

- First Executive Vice President
- Head of Process and Product Improvement and Alternative Channels Group (*Appointed effective on : July 2, 2013*)

#### Education :

- MBA, Chulalongkorn University
- Ph.D. (Computer Sci), Stanford University, U.S.A.
- MSCS, Stanford University, U.S.A.
- B.Eng (1st Class Hons), Chulalongkorn University

#### Training Programs :

- Directors Certification Program (DCP), Thai Institute of Directors Association (IOD)
- TLCA Executive Development Program, Thai Listed Companies Association
- Top Executive Program in Commerce and Trade (TEPCoT), University of the Thai Chamber of Commerce
- Office Of Insurance Commission (OIC), OIC Advanced Insurance Institute (OIC All)

- Strategy and Innovation for Businesses in Asia (SIBA), Massachusetts Institute of Technology (MIT) - College Of Management Mahidol University (CUMMU)

#### KK shareholding : -

#### Experience :

##### Kiatnakin Phatra Financial Group

- **2013 - Present** First Executive Vice President, Head of Process and Product Improvement and Alternative Channels Group, Kiatnakin Bank Public Company Limited

#### Other Listed Companies

- **2010 - 2013** Senior Executive Vice President, Krungthai Bank Public Company Limited, Director, Krungthai AXA Life Insurance Public Company Limited
- **2008** First Executive Vice President, Krungthai Bank Public Company Limited
- **2008** Executive Vice President, Krungthai Bank Public Company Limited

#### Non - Listed Companies

- **2009 - 2013** Director, National ITMX Co.,Ltd., Director, Krungthai Panich Insurance Public Company Limited
- **2007 - 2010** Director, Krungthai Computer Services Company Limited
- **2007 - 2009** Director, KTB Securities (Thailand) Company Limited

**Mr. Worrakrit Jaruwongpak**

Age : 52

- First Executive Vice President
- Head of Operations Group

*(Appointed effective on : January 16, 2014)***Education :**

- MBA, National Institute of Development Administration
- Bachelor of Economics, Chiang Mai University

**Training Programs :**

- Directors Certification Program (DCP), Thai Institute of Directors Association (IOD)
- Financial Institutions Governance Program (FGP), Thai Institute of Directors Association (IOD)

**KK shareholding : -****Experience :****Kiatnakin Phatra Financial Group**

- **2014 - Present** First Executive Vice President, Head of Operations Group, Kiatnakin Bank Public Company Limited

**Other Listed Companies**

- **2010 - 2014** Executive Vice President, Bank of Ayudhya Public Company Limited
- **2007 - 2010** Senior Manager, Bank of Ayudhya Public Company Limited
- **2003 - 2007** Manager, Bank of Ayudhya Public Company Limited
- **1986 - 2003** Deputy Manager, Bank of Ayudhya Public Company Limited
- **1983 - 1986** IT Supervisor, Siam Commercial Bank Public Company Limited

**Non - Listed Companies**

- **2009 - 2013** Director, National ITMX Company Limited.

**Mr. Wittapon Jawjit**

Age : 43

- First Executive Vice President
- Head of Human Resource Management Group

*(Appointed effective on : January 16, 2014)***Education :**

- Master of Engineering, Chulalongkorn University
- Bachelor of Engineering, Chulalongkorn University

**Training Programs :**

- Leadership Development
- Banking 101
- MBTI Facilitator
- Senior Manager Training
- Organization Behavior
- Business Process Reengineering
- Facilitation Skill

**KK shareholding : -****Experience :****Kiatnakin Phatra Financial Group**

- **2014 - Present** First Executive Vice President, Head of Human Resource Management Group, Kiatnakin Bank Public Company Limited

**Non - Listed Companies**

- **2014 - Present** Independent Director, Mercer (Thailand) Limited
- **2012 - Present** Director, Human Resource Capability Development Institute, Federal of Thai Industries
- **2011 - 2013** Chairman, MMC (Thailand) Group
- **2010 - 2013** Co-Managing Director, Mercer (Philippines) Pte.



**Mrs. Suree Harnpinisak**

Age : 54

- Senior Vice President  
(Appointed effective on : January 1, 2002)
- Department Head of Accounting

**Education :**

- Master of Accountancy, Chulalongkorn University
- Master of Political Scienc (Politics and Governments), Thammasat University
- Graduated Diploma in Auditing, Thammasat University
- Bachelor of Accountancy (1<sup>st</sup> Class Honors), University of the Thai Chamber of Commerce
- Certified Public Accountant registration No. 3432

**KK shareholding :** 33,250 Shares**Experience :**

Kiatnakin Phatra Financial Group

- **2005 - Present** Senior Vice President, Department Head of Accounting, Kiatnakin Bank Public Company Limited

**Ms. Porntip Chuprakhun**

Age : 45

- Corporate Secretary  
(Appointed effective on : January 13, 2010)
- Senior Vice President
- Department Head of Office of Corporate Secretary

**Education :**

- Master of Business Administration (MBA), Assumption University of Thailand (ABAC)
- Bachelor of Art, Political Science, Kasetsart University

**Training Programs :**

- Compliance Officer (7/2014), Faculty of Law, Chulalongkorn University
- Fundamental Practice for Corporate Secretary (FPCS 23/2011), Thai Listed Companies Association
- Board Reporting Program (BRP) (1/2009), Thai Institute of Directors Association (IOD)
- Company Secretary Program (CSP) (17/2006), Thai Institute of Directors Association (IOD)
- Effective Minute Taking (EMT) (2/2006), Thai Institute of Directors Association (IOD)
- Corporate Secretary Development Program (11/2005), Faculty of Commerce and Accountancy, Chulalongkorn University

**KK shareholding :** 45,751 Shares**Experience :**

Kiatnakin Phatra Financial Group

- **2011 - Present** Senior Vice President, Department Head of Office of Corporate Secretary, Kiatnakin Bank Public Company Limited
- **Jan 2010 - Present** Corporate Secretary, Kiatnakin Bank Public Company Limited
- **2008 - 2010** Vice President, Office of the Directors, Kiatnakin Bank Public Company Limited

# Directorship of Directors and Executives in Kiatnakin Bank Subsidiaries, Associated and Related Companies

As of December 31, 2013

No.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27
Company	Mr. Supol Wattanavekin	Mr. Pichai Dachanaprom	Assoc. Prof. Manop Bongeadat	Mr. Chet Patrakornkul	Mr. Pravit Varubangkul	Dr. Anumongkol Sirivedhin	Mr. Pongtep Polanun	Mr. Tanin Chirasoon	Mr. Suraphol Kulsiri	Mr. Suvit Mapaisansin	Mr. Banyong Pongpanich	Mr. Aphinant Kiewpatinond	Mr. Kittiya Veerabur	Miss Thitinan Wattanavekin	Mr. Pracha Chummarkitkosol	Mr. Chavalit Chindavang	Mr. Chaiwat Lertvanarin	Mr. Thawatchai Techawatanawana	Mr. Preecha Techarungchaikul	Dr. Popanit Poommarapan	Mrs. Pataporn Milindasuta	Mr. Manit Wannavanit	Mr. Sarawut Charuchinda	Mr. Anuchit Anuchitanukul	Mr. Worakrit Jaruwongpak	Mr. Wittapon Jawit	Mrs. Sree Harpinisak
Kiatnakin Bank Public Company Limited	X	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
Subsidiaries & Associated Companies	1 Phatra Capital Public Company Limited									/	X	/	/	/	/	/					/						
	2 Erawan Law Office Limited							X								/							/				
	3 KKTRADE Securities Company Limited								X		/	/			/					/							
	4 Phatra Securities Public Company Limited								/	X	/	/	/	/	/	/				/							
	5 Phatra Asset Management Company Limited								X		/	/			/				/								
Related Companies	6 The Krungthep Thanakorn Company Limited		/																								
	7 Grand Success Company Limited		/																								
	8 K S P Square Company Limited					/																					
	9 System's Little House LTD.				X																						
	10 Cellennium (Thailand) Company Limited									/																	
	11 The Erawan Group Public Company Limited	/	/							/																	
	12 The Palm Chaam Company Limited												/														
	13 Don Muang Tollway Public Company Limited									/																	
	14 The Dharmniti Public Company Limited		/																								
	15 BTMU Leasing (Thailand) Company Limited	X																									
	16 Muang Thai Insurance Public Company Limited									/																	
	17 Rasa Property Development Public Company Limited		X																								
	18 Tubkaew-Hori and Nursery Kindergarden Company Limited		/																								
	19 Squirrel (Thailand) Company Limited									/																	
	20 Dharmniti Auditing Company Limited		/																								
	21 Golden Lime Company Limited								/																		
	22 Advance Information Technology Public Company Limited					/																					
	23 Thai Packaging Industry Public Company Limited																					/					
	24 Unionauction Public Company Limited																					/					
	25 Mercer (Thailand) Limited																								/		
	26 Woraluk Property Public Company Limited		X																								
Total	3	4	6	1	1	2	3	2	1	6	8	5	6	3	3	6	1	1	1	1	5	1	4	1	1	2	1

Remark 1 : / = Director X = Chairman // = Executive Director

2. Related to mean Party entity definitions may conflict under the Securities and Exchange Commission.

No. 25 Appointed as Head of Operations Group, effective on January 16, 2014

No. 26 Appointed as Head of Human Resource Management Group, effective on January 16, 2014

## Directors of Subsidiaries

Subsidiaries/Directors	Phatra Capital Public Company Limited	Phatra Securities Public Company Limited
1. Mr. Banyong Pongpanich	X	X
2. Mr.Suvit Mapaisansin	/	/
3. Mr.Veravat Chutichetpong	/	/
4. Dr.Supavud Saicheua	//	//
5. Mr.Aphinant Klewpatinond	/	/
6. Mrs.Patchanee Limapichat	//	//
7. Mr.Norachet Sangruji	//	//
8. Miss Thitinan Wattanavekin	/	/
9. Mr.Pracha Chumnarnkitkosol	/	/
10. Mr.Chavalit Chindavanig	/	/
11. Mrs.Patraporn Milindasuta	//	//
12. Mr.Krittiya Veeraburus	//	//

Remark 1 : X = Chairman / = Director // = Executive Director

2. Subsidiary means a subsidiary as a significant revenue more than 10 percent of the consolidated total income of the financial year.

# General Information

<b>Name of Company</b>	Kiatnakin Bank Public Company Limited
<b>Stock Quote</b>	"KKP"
<b>Type of Business</b>	Commercial bank business, Securities business, and Other Related Business under the Financial Institution Business Act, Securities and Exchange Act and other related regulations
<b>Number of shares</b>	838,833,109 common shares and none of preferred share, with par value of 10 Baht per share (As of December 31, 2013)
<b>Authorized share capital</b>	8,523,372,680 Baht
<b>Issued and fully paid-up share capital</b>	8,388,331,090 Baht (As of December 31, 2013)
<b>Address</b>	500 Amarin Tower, 12th Floor, Ploenchit Road, Lumpini, Pathumwan, Bangkok, Thailand 10330
<b>Company Registration Number</b>	0107536000986
<b>Telephone</b>	0-2680-3333
<b>Fax</b>	0-2256-9933
<b>Website</b>	www.kiatnakinphatra.com

## Names, Offices, Telephone and Fax Numbers of Referenced Entities

<b>Registrar</b>	: Thailand Securities Depository Company Limited 62, Stock Exchange of Thailand Building, Rachadapisek Road, Klongtoey, Bangkok 10110, Thailand Tel: 0-2229-2800 Fax: 0-2359-1259
<b>Authorized Auditor</b>	: Mr.Chavala Tienpasertkij Certified Public Accountant (Thailand) Registration No. 4301 Deloitte Touche Tomatsu Jaiyos Auditing Company Limited Rajanakarn Building, 25 <sup>th</sup> Floor 183 South Sathorn Road, Yannawa, Sathorn, Bangkok 10120, Thailand Tel: 0-2676-5700 Fax: 0-2676-5757
<b>Legal Adviser</b>	: Erawan Legal Office Company Limited 12 <sup>th</sup> Floor, K Tower B, 209/1 Sukhumvit 21 Road, KlongToey-Nua, Wattana, Bangkok 10110, Thailand Tel: 0-2664-0424 Fax: 0-2664-0980
<b>Adviser/Manager under Management</b>	: Not Appointed
<b>Contract</b>	

Kiatnakin Bank holds over 10% of shares in the following juristic persons (As of December 31, 2013)

Juristic Person Name / Address	Type of Business	Number of Fully Paid-up Shares (Shares)	Percentage of ownership (%)
1. Phatra Capital Public Company Limited 9 <sup>th</sup> Floor, 252/6 Muang Thai-Phatra Office Tower 1, Ratchadapisek Road, Huaykwang Sub-district, Huaykwang District, Bangkok 10310 Tel: 0-2305-9000 Fax: 0-2693-2535	Holding company	210,310,240.00	99.97
2. Phatra Securities Public Company Limited 6, 8-11/F Muang Thai-Phatra Office Tower 1 252/6 Ratchadapisek Road, Huaykwang, Bangkok 10310 Tel. 0-2275-0888, 0-2693-2000 Fax. 0-2275-3666	Securities	213,500,000.00	99.94*
3. KKTRADE Securities Company Limited 7 <sup>th</sup> Floor, Amarin Tower, 500 Ploenchit Road, Lumpini, Pathumwan, Bangkok, Thailand 10330 Tel: 0-2680-2222 Fax: 0-2680-2233	Securities	65,000,000.00	99.96**
4. Phatra Asset Management Company Limited 25/F Muang Thai-Phatra Complex Building Tower B 252/122 Ratchadapisek Road, Huaykwang, Bangkok 10310 Tel: 0-2305-9800 Fax: 0-2305-9803	Asset Management	12,000,000.00	99.96**
5. Erawan Law Office Company Limited 12 <sup>th</sup> Floor, K Tower B, 209/1 Sukhumvit 21 Road, KlongToey-Nua, Wattana, Bangkok, Thailand 10110 Tel: 0-2664-0424 Fax: 0-2664-0980	Law Office	10,000.00	99.93
6. CMIC Development Company Limited 10 <sup>th</sup> Floor, K Tower, 209/1 Sukhumvit 21 Road, KlongToey-Nua, Wattana, Bangkok, Thailand 10110 Tel: 0-2664-1396-7 Fax: 0-2664-2163	Real Estate	230,000,000.00	80.58
7. BTMU Leasing (Thailand) Company Limited 4 <sup>th</sup> Floor, Harinthorn Tower, 54 Sathorn Nua Road, Silom, Bangrak, Bangkok, Thailand 10500 Tel: 0-2266-3060 Fax: 0-2266-3067	Leasing	600,000.00	10.00
8. Asia Recovery 1 Fund One Asset Management Limited 24 <sup>th</sup> Floor, Siam Tower (Siam Discovery), 989 Rama 1 Road, Pathumwan, Bangkok, Thailand 10330 Tel: 0-2659-8888 Fax: 0-2659-8860-1	Investment	21,665,778.59	99.95

Juristic Person Name / Address	Type of Business	Number of Fully Paid-up Shares (Shares)	Percentage of ownership (%)
9. Asia Recovery 2 Fund One Asset Management Limited 24 <sup>th</sup> Floor, Siam Tower (Siam Discovery), 989 Rama 1 Road, Pathumwan, Bangkok, Thailand 10330 Tel: 0-2659-8888 Fax: 0-2659-8860-1	Investment	91,008,436.74	99.59
10. Asia Recovery 3 Fund One Asset Management Limited 24 <sup>th</sup> Floor, Siam Tower (Siam Discovery), 989 Rama 1 Road, Pathumwan, Bangkok, Thailand 10330 Tel: 0-2659-8888 Fax: 0-2659-8860-1	Investment	80,121,611.45	99.97
11. Thai Restructuring Fund One Asset Management Limited 24 <sup>th</sup> Floor, Siam Tower (Siam Discovery), 989 Rama 1 Road, Pathumwan, Bangkok, Thailand 10330 Tel: 0-2659-8888 Fax: 0-2659-8860-1	Investment	68,337,964.80	98.91
12. Asia Recovery Property Fund 1 One Asset Management Limited 24 <sup>th</sup> Floor, Siam Tower (Siam Discovery), 989 Rama 1 Road, Pathumwan, Bangkok, Thailand 10330 Tel: 0-2659-8888 Fax: 0-2659-8860-1	Investment	5,340,031.21	99.52
13. Asia Recovery Property Fund 3 One Asset Management Limited 24 <sup>th</sup> Floor, Siam Tower (Siam Discovery), 989 Rama 1 Road, Pathumwan, Bangkok, Thailand 10330 Tel: 0-2659-8888 Fax: 0-2659-8860-1	Investment	93,340,500.29	98.77
14. Bangkok Capital Fund One Asset Management Limited 24 <sup>th</sup> Floor, Siam Tower (Siam Discovery), 989 Rama 1 Road, Pathumwan, Bangkok, Thailand 10330 Tel: 0-2659-8888 Fax: 0-2659-8860-1	Investment	34,988,724.05	95.72
15. Gamma Capital Fund One Asset Management Limited 24 <sup>th</sup> Floor, Siam Tower (Siam Discovery), 989 Rama 1 Road, Pathumwan, Bangkok, Thailand 10330 Tel: 0-2659-8888 Fax: 0-2659-8860-1	Investment	28,183,200.56	94.03

\* Indirectly holding via Phatra Capital Plc. of 99.97%

\*\* Indirectly holding via Phatra Capital Plc. of 99.99%

## Branches

Contact all branches and Kiatnakin Car Auction Centers through KK Contact Center Tel. 0-2680-3333

Branch	Address	Fax
<b>Bangkok and Perimeter</b>		
Kaset-Vibhavadi	47/11 Ngamwongwan Road, Lad Yao, Jatujak, Bangkok 10900	0-2562-0017
Crystal Design Center (CDC)	1448/4, Soi Lat Phrao 87 (Chantrasook), Klongjun, Bang Kapi, Bangkok 10240	0-2102-2312
Charoen Krung	273/8 Charoen Krung Road, Pom Prap, Pom Prap Sattru Phai, Bangkok 10100	0-2221-3148
Seacon Bangkae Branch	Seacon Bangkae Department Store, 3rd Floor, 607 Petchakasem Road, Bangwha, Phasicharoen, Bangkok 10160	0-2458-2826
The Mall Thaphra	99 Ratchadaphisek Road, Bukkaloo, Thonburi, Bangkok 10600	0-2477-7162
The Mall Bangkok	3522, Lat Phrao Road, Khlong Chan, Bangkok, Bangkok 10240	0-2704-9110
Thong Lor	125/19, Soi Sukhumvit 55, Khlong Tan Nua, Vadhana, Bangkok 10110	0-2392-6662
Nakhon Pathom	992/2-3, Petkasem Road, Tambon Huay Jarakae, Amphoe Muang, Nakhon Pathom 73000	034-271-584
Nonthaburi	68/30-32 Moo 8, Tambon Bangkrasor, Amphoe Muang, Nonthaburi 11000	0-2525-3056
Bang Bon	265 Ekachai Road, Bangbon, Bangkok 10150	0-2417-2499
Bang Yai	80/155 Moo 6, Tambon Sao Thong Hin, Amphoe Bang Yai, Nonthaburi 11140	0-2903-3600
Phatum Than	433, 435, 437 Rangsit-Nakhon Nayok Road, Tambon Prachathipat, Amphoe Thanyaburi, Pathum Thani 12130	0-2533-0343
Pin Klao	77/7-9 Borommaratchachonnani Road, Arun Amarin, Bangkok Noi, Bangkok 10700	0-2433-8635
Rama 3	493/4-6 Nang Linchee Road, Chong Nonsi, Yannawa, Bangkok 10120	0-2287-3230
Rama IV	1032/7-8, Rama IV Road, Thungmahamek, Sathorn, Bangkok 10120	0-2287-3579
Phaholyothin Place	408/4 Phaholyothin Place Building, 1st Floor, Phaholyothin Road, Samsen Nai, Phaya Thai, Bangkok 10400	0-2619-0136
Paradise Park	Paradise Park, 2nd Floor, 61 Srinakarin Road, Nongbon, Praveet, Bangkok 10250	0-2325-9150
Petkasem-Kanjanapisek	919/42-43 Petkasem Road, Bangkae, Bangkok 10160	0-2454-8657
Fashion Island	587, 589, 589/7-9, Ramintra Road, Kannayao, Bangkok 10230	0-2947-5077
Mahanak	1082/5, Boe Bae Mini Office Tower, Krung Kasem Road, Mahanak, Pom Prap Sattru Phai, Bangkok 10100	0-2628-0025
Megabangna	Megabangna, 1st Floor, 39 Moo 6, Tambon Bangkaew, Amphoe Bangplee, Samut Prakarn 10540	0-2105-1448
Yaowarat	289 Yaowarat Road, Samphanthawong, Bangkok 10100	0-2223-1372
Ramintra Branch	43,45,47,49, Ramintra Road, Minburi, Bangkok 10510	0-2540-4552
Wongwian 22 karakada	132 Mittraphan Road, Pom Prap, Pom Prap Sattru Phai, Bangkok 10100	0-2221-7327
Srinakarin	903,905 Srinakarin Road, Suan Luang, Bangkok 10250	0-2320-0623
Samut Prakan	89/8-10 Moo 5, Tambon Bang Muang, Amphoe Muang, Samut Prakarn 10270	0-2703-2650
Samut Sakhon	1400/98-101, Ekkachai Road, Tambon Mahachai, Amphoe Muang, Samut Sakhon 74000	034-837-212
Siam Paragon	991 Rama 1 Road, Pathumwan, Bangkok 10330	0-2610-9669
Amarin Office (Head Office)	500 Amarin Tower, Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330	0-2257-0849
Siphaya	78 Trok Captain Bush (Charoen Krung 30), Bangrak, Bangkok 10500	0-2237-7884
Silom	323 Silom Road, Silom, Bang Rak, Bangkok 10500	0-2237-1952
Suksawas	178, 180, 182 Suksawas Road, Bangpakok, Ratburana, Bangkok 10140	0-2428-8798
Suvarnabhumi	9/3 Moo 7, King Kaew Road, Tambon Racha Thewa, Amphoe Bangplee, Samut Prakarn 10540	0-2738-4773
Asoke Branch	209 K Tower A, Sukhumvit 21 (Asoke), Khlong Toey Nua, Wattana, Bangkok 10110	0-2664-1454



Branch	Address	Fax
<b>Central</b>		
Kanchanaburi	275/1-2 Saeng Chootoh Road, Tambon baan Nua, Amphoe Muang, Kanchanaburi 71000	034-620-646
Chai Nat	78/2 5 Phahon Yothin Road, Tambon Ban Kluai, Amphoe Muang, Chai Nat 17000	056-420-723
Prachuap Khiri Khan	222/2 Salacheep Road, Tambon Prachuap Khiri Khan, Amphoe Muang, Prachuap Khiri Khan 77000	032-551-085
Ayuthaya	100 Moo 1, Tambon Pailing, Amphoe Phranakorn, Sri Ayuthaya 10300	035-235-642
Phetchaburi	132/8-10 Moo. 1, Tambon Tonmamuang, Amphoe Muang, Phetchaburi 76000	032-454-722
Ratchaburi	286/25-28 Srisuriyawong Road, Tambon Nai Muang, Amphoe Muang, Ratchaburi 70000	032-310-391
Lop Buri	205 Moo 2, Tambon The Sala, Amphoe Muang, Lop Buri 15000	036-626-059
Saraburi	568/7-9, Paholyothin Road, Tambon Pak Priao, Amphoe Muang, Saraburi 18000	036-318-446
Suphan Buri	290/3-6 Moo 4, Tambon Sanamchai, Amphoe Muang, Suphan Buri 72000	035-546-277
Hua Hin Branch	60/27-28, Soi Moo Ban Bor Fai, Tambon Hua Hin, amphoe Hua Hin, Prachuab Kirikhan 77110	032-547-660
<b>East</b>		
Chantaburi	29/1-4 Moo 7, Tambon Chantanimitr, Amphoe Muang, Chantaburi 20000	039-343-615
Chachengsao	508, 510 Chachengsao-Bang Pakong Road, Tambon Na Muang, Amphoe Muang, Chachengsao 24000	038-516-106
Chonburi	7/41 Moo 4, Sukhumvit Road, Tambon Huaykapi, Amphoe Muang, Chonburi 20130	038-384-950
Prachin Buri	41/18-20 Prachin Takarm Road, Tambon Nai Muang, Amphoe Muang, Prachin Buri 25000	037-217-582
Pattaya	120/17-18 Moo 6, Tambon Na Klua, Amphoe Bang Lamung, Chonburi 20150	038-489-162
Rayong	375/4-7 Sukhumvit Road, Tambon Noenphra, Amphoe Muang, Rayong 21000	038-808-095
Sa Kaeo Branch	330 Suwansorn Road, Tambon Sa Kaeo, Amphoe Muang, Sa Kaeo 27000	037-241-993
<b>North East</b>		
Kalasin Branch	4/1-2-3 Thinanon Road, Tambon Kalasin, Amphoe Muang, Kalasin 46000	043-821-652
Khon Kaen Branch	9/2 Prachasomosorn Road, Tambon Nai Muang, Amphoe Muang, Khon Kaen 40000	043-337-734
Chaiyaphum Branch	31/12-14, Haruthai Road, Tambon Nai Muang, Amphoe Muang, Chaiyaphum 36000	044-835-677
Nakhon Ratchasima Branch	952, 954, 956, 958, 960, Mittraphap Road, Tambon Nai Muang, Amphoe Muang, Nakhon Ratchasima 30000	044-256-746
Buriram Branch	30/23-25 Thani Road, Tambon Nai Muang, Amphoe Muang, Buriram 77000	044-620-510
Pak Chong Branch	560 Mittraphap Road, Tambon Pak Chong, Amphoe Pak Chong, Nakhon Ratchasima 30130	044-279-293
Mukdahan Branch	50 Pitakphanomket Road, Mukdahan, Amphoe Muang, Mukdahan 49000	042-631-171
Yasothon Branch	258/3-5 Chaeng Sanit Road, Tambon Nai Muang, Amphoe Muang, Yasothon 35000	045-720-677
Roi Et Branch	49, 49/1-3 Tawapiban Road, Tambon Nai Muang, Amphoe Muang, Roi Et 45000	043-518-163
Loei Branch	22/9 Chumsai Road, Tambon Kut Pong, Amphoe Muang, Loei 42000	042-830-855
Si Sa Ket Branch	151 Thepa Road, Tambon Muang Nuea, Amphoe Muang, Si Sa ket 33000	045-623-112
Sakhon Nakhon Branch	1773/63 Ratpattana Road, Tambon Thatchoengchum, Amphoe Muang, Sakhon Nakhon 47000	042-733-005
Surin Branch	6/7 Lak Muang Road, Tambon Nai Muang, Amphoe Muang, Surin 32000	044-535-031

Branch	Address	Fax
Nong Khai	527-528 Moo 7, Tambon Nai Mueang, Amphoe Muang, Nong Khai 43000	042-460-151
Udon Thani	215/25, 215/27 Udon Dusadee Road, Tambon Mak Keng, Amphoe Muang, Udon Thani 41000	042-223-242
Ubon Rachathani	466 Suriyat Road, Tambon Nai Muang, Amphoe Muang, Ubon Rachathani 34000	045-209-258

### South

Krabi	254, 254/1, 254/2 Moo 11, Tambon Krabi Noi, Amphoe Muang, Krabi 81000	075-663-923
Chumphon	67/4, 67/5 Krom Luang Chumphon Road, Tambon Tha Taphao, Amphoe Muang, Chumporn 86000	077-570-509
Trang	59/12-14 Huay Yod Road, Tambon Thap Thieng, amphoe Muang, Trang 92000	075-223-293
Tung Song	80/4 Moo 8, Tung Song Road, Cha Mai District, Amphoe Tung Song, Nakhon Si Thammarat 80110	075-328-669
Nakhon Si Thammarat	111, 111/1-4 Pattanakarn kookwang Road, Tambon Klung, Amphoe Muang, Nakhon Si Thammarat 80000	075-317-171
Phuket	63/714-716 Moo 4 Tambon Vichit, Amphoe Muang, Phuket 83000	076-522-310
Surathani	22/144-145-146, Raj-Uthit Road, Tambon Talad, Amphoe Muang, Surathani 84000	077-217-408
Hat Yai	20/1 Ratyindee Road, Tambon Hat Yai, Amphoe Hat Yai, Song Khla 90110	074-343-309

### North

Kamphangphet	546 Charoensuk Road, Tambon Nai Muang, Amphoe Muang, Kamphangphet 62000	055-722-871
Chiang Rai	102, 102/1-3 Moo 13, Phaholyothin Road, Tambon Rob Wieng, Amphoe Muang, Chiang Rai 57000	053-719-434
Chiang Mai	33 Chiang Mai-Lampang Road, Tambon Chang Phueak, Amphoe Muang, Chiang Mai 50300	053-409-625
Nakhon Sawan	1311/18-21 Moo 10, Tambon Nakornsawan Tok, Amphoe Muang, Nakhon Sawan 60000	056-313-655
Phayao	68/1 Don Sanam Road, Tambon Wiang, Amphoe Muang, Phayao 56000	054-412-762
Phichit	31/79-81 Sa Luang Road, Tambon Nai Mueng, Amphoe Mueang, Phichit 66000	056-651-071
Phitsanulok	286/10 Pichaisongkram Road, Tambon Nai Muang, Amphoe Muang, Phitsanulok 65000	055-211-687
Petchaboon	3/48 Samakkeechai Road, Tambon Nai Muang, Amphoe Muang, Petchaboon 67000	056-712-273
Phrae	162 Yantrakitsosol Road, Tambon Naiwiang, Amphoe Muang, Phrae 54000	054-522-178
Lampang	142-144 Highway-lampang-Ngua, Tambon Phra Bat, Amphoe Muang, Lampang 52000	054-317-699
Lamphun	99 Charoen Rat Road, Tambon Nai Muang, Amphoe Lamphun, Lamphun 51000	053-532-659
Sukhothai Branch	186/2-3 Moo 7, Thani District, Amphoe Muang Sukhothai, Sukhothai 64000	055-610-230

### Kiatnakin Car Auction Center

Branch	Address	Fax
Bang Na-Trat Rd. Km. 8	43/4 Moo 4, Bang Na-Trat Road Km. 8, Tambon Bang Kaeo, Amphoe Bang Phli, Samut Prakan 10540	0-2316-2730
Udon Thani	225 Moo 4, Udon-Nong Bua Lam Phu Road, Tambon Ban Luam, Amphoe Muang, Udon Thani 41000	042-304046

## Member of the Kiatnakin Phatra Financial Group

Company	Address	Phone	Fax
<b>Phatra Capital Public Company Limited</b>	9/F MuangThai-Phatra Office Tower 1, 252/6 Ratchadapisek Road Huaykwang, Bangkok 10310	0-2305 9000	0-2693 2535
<b>Phatra Asset Management Company Limited</b>	25/F Muang Thai-Phatra Complex Building Tower B, 252/122 Ratchadapisek Road, Huaykwang Bangkok 10310 Thailand	0-2305 9800	0-2305 9803
<b>Phatra Securities Public Company Limited</b>	6,8-11/F Muang Thai Phatra Office Tower 1, 252/6 Ratchadapisek Road Huaykwang Bangkok 10310	0-2305 9559	0-2305 9558
<b>KKTRADE Securities Company Limited</b>	7th Fl., 500 Amarin Tower, Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330	0-2680-2222	0-2680-2233

## Client Service

Tel. : 0-2680-2888

Fax : 0-2680-2889

## Bangkok and Perimeter

Nonthaburi	4th Fl., 68/30-32 Moo 8, Tambon Bangkrasor, Amphoe Muang, Nonthaburi 11000	0-2527-8744	0-2965-4634
Asoke	209 K Tower, 21st Fl., Sukhumvit 21 (Asoke), Khlong Toey Nua, Wattana, Bangkok 10110	0-2680-2900	0-2680-2995
Bangna	1093/56 11 <sup>th</sup> Fl., Central City Tower, Bangna-Trad Road, Bangna, Prakanong, Bangkok 10260	0-2745-6458-66, 0-2745-6307-9	0-2745-6467

## Provincial branches

Khon Kaen	9/2 Prachasomosorn Road, Tambon Nai Muang, Amphoe Muang, Khon Kaen 40000	043-337-700-10	043-337-721
Chaing Mai	33 Chiang Mai-Lampang Road, Tambon Chang Phueak, Amphoe Muang, Chiang Mai 50300	053-220-751-54, 053-220-760	053-220-763, 053-220-765
Rayong	125/1 Chantaudom Road (Rayong-Bankai), Tambon Choengnoen, Amphoe Muang, Rayong 21000	038-673999, 038-673900-12	038-617490, 038-619253
Chonburi	7/18 Moo 4, Sukhumvit Road, Tambon Huaykapi, Amphoe Muang, Chonburi 20130	038-384-931-43	038-384-794
Phitsanulok	169/2-3-4 Barommatrirokanard Road, Tambon Nai Muang, Amphoe Muang, Phitsanulok 65000	055-243-060	055-259-455
Samut Sakhon	1400/98-101 Ekkachai Road, Tambon Mahachai, Amphoe Muang, Samut Sakhon 74000	034-837-246-64, 034-427-123-5	034-423-565, 034-837-255
Nakhon Si Thammarat	2 <sup>nd</sup> Fl., Kiatnakin Bank, 111, 111/1-4 Phattanakan Khukwang Road, Tambon Khlang, Amphoe Meang, Nakhon Si Thammarat 80000	075-432-111	075-432-359
Hat Yai	200 Chulladit Plaza Hat Yai, 4 <sup>th</sup> Fl., Room 414-424, Niphat Uthit 3 Road, Tambon Hat Yai, Amphoe Hay Yai, Song Khla 90110	074-354-747-51	074-239-515





An abstract graphic consisting of several thin, light-colored curved lines that sweep across the upper half of the page. Small dots are placed at various points along these curves.

500 Amarin Tower, 11<sup>th</sup> Floor, Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330  
209 K Tower, Sukhumvit 21 (Asoke), Khlong Toey Nua, Wattana, Bangkok 10110  
Tel +(66)2680-3333 Fax +(66)2256-9933  
[www.kiatnakinphatra.com](http://www.kiatnakinphatra.com)