

# KIATNAKIN PHATRA

FINANCIAL GROUP

Annual Report 2016





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Please see Corporate Social Responsibility Report 2016.



With commitment to environmental protection, Department of Mineral Fuels uses environmentally-friendly paper made from trees grown in controlled farm under Sustainable Forest Management principle and state-of-the-art process that reduces pulp by 50%. The paper is light thus energy used in transport and delivery is less.





# Milestone Kiatnakin Phatra Financial Group



## 1971

Kiatnakin Finance and Securities Company Limited was founded by Mr.Kiat Wattanavekin.



## 1972

Phatra Thanakit Finance and Securities Public Company Limited was formed.

## 1993

Kiatnakin Finance and Securities Company Limited was transformed to a public company.



## 1997

- Kiatnakin Finance and Securities Public Company Limited along with other 57 financial institutions were temporarily discontinued due to economic crisis.
- Phatra Securities Public Company Limited was founded under a policy of separating finance and securities businesses of Phatra Thanakit Finance and Securities Public Company Limited.

## 1998

Kiatnakin Finance and Securities Public Company Limited was granted permission by the Ministry of Finance to resume business.



## 1999

Kiatnakin Finance and Securities Public Company Limited separated its finance business and securities business.





## 2005

- Kiatnakin Finance Public Company Limited was granted permission to be “**Kiatnakin Bank Public Company Limited**”.
- Phatra Securities Public Company Limited listed its shares with the Stock Exchange of Thailand.

## 2010

Phatra Capital Public Company Limited was set up as a holding company to engage in investment business and hold shares in Phatra Securities Public Company Limited.



## 2012

Kiatnakin Bank Public Company Limited and Phatra Capital Public Company Limited announced the completion of a merger to become **Kiatnakin Phatra Financial Group** on September 13, 2012, forming the synergy to pursue excellence founded on Kiatnakin Bank's and Phatra's expertise in the area of banking and capital market.

Kiatnakin Phatra Financial Group by Kiatnakin Bank Public Company Limited officially changed the stock trading ticker to **KKP**.

# Vision

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To attain business growth  
along with the success  
of clients and society

# Mission

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To provide resources to clients properly,  
adequately and proficiently  
through services beyond expectation  
and none like others

# Awards and Ranking



## "A-"

Credit Rating by TRIST Rating Co.,Ltd. The Bank and its debentures were rated "A-" with "Stable" outlook by TRIS Rating Co.,Ltd.

## Excellent Top 100 Scores

Received "Excellent Top 100 Scores" for the tenth consecutive years from Annual General Meeting (AGM) in 2007 - 2016, 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 eight consecutive years (2009-2016), 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).

## SET Award of Honor (Corporate Governance Report)

Received "SET Award of Honor" (2007-2014) by the Stock Exchange of Thailand (SET) and Money and Banking Magazine.

## SET Awards (Outstanding Corporate Social Responsibility)

Received "Outstanding Corporate Social Responsibility Awards" (2012-2014) (SET market capitalization of over 10 billion baht) For the second consecutive years by the stock Exchange of Thailand (SET) and Money and Banking Magazine.

## Thailand Sustainability Investment 2015

One of 51 listed companies selected by The Stock Exchange of Thailand (SET), the Securities and Exchange Commission, Association of Investment Management Companies, Thai Listed Companies Association, Association of Thai Securities Companies and Thai Institute of Directors and Khon Thai Foundation to receive Thailand Sustainability Investment 2016 with prime performance on Environmental, Social and Governance (ESG) aspects.

## Thailand Sustainability Investment 2016

One of 55 listed companies selected by the SET to receive Thailand Sustainability Investment 2016 for two consecutive years (2015-2016) due to outstanding performance on Environmental, Social and Governance (ESG) aspects.

## ESG100

One of 100 listed companies selected by THAIPT's ESG Rating Unit to be on the list of ESG100 for two consecutive years (2015-2016) due to outstanding sustainability performance of ESG aspects.

## "Excellent"

Rated as "Excellent" from the Annual Corporate Governance Survey for 2016 (CGR) of Thai Institute of Directors Association (Thai IOD)



## Institutional Investor

2016 All-Asia Research Team: Thailand  
2015 All-Asia Research Team: Thailand  
2014 All-Asia Research Team: Thailand

## Morningstar

2016 Morningstar Fund Awards-Long Term Equity Fund

## Structured Retail Products (SRP)

2016 Asia-Pacific Structured Products & Derivatives Awards-  
Best Distributor (South and Southeast Asia),  
Best Distributor (Thailand), Best Performance (Thailand)

## EuroMoney

2016 Awards for Excellence-Best Investment Bank in Thailand

## Finance Asia

2016 20<sup>th</sup> Anniversary Platinum Awards-Best Domestic  
Investment Bank, Best Domestic Private Bank,  
Best Domestic Equity House  
2016 Country Award-Best Private Bank, Best Broker  
2015 Country Awards-Best Private Bank  
2014 Country Awards-Best Private Bank

## Alpha Southeast Asia

2016 10<sup>th</sup> Anniversary Awards-Best Local Currency Bond  
Deal of the Year in SEA-BJC, Best Cross Border M&A  
Deal of the Year in SEA-BAY/Hatthakaksekar,  
Best Investment Bank in Thailand, Best M&A House in  
Thailand, Best Wealth Management Bank in Thailand  
2015 Best Investment Bank, Best Institutional Broker in  
Thailand, Best Private Wealth Management Bank  
2015 Best Bond Deal of the Year in Southeast Asia (CPALL's  
THB 20 billion unsecured debt)  
2014 Best Institutional Broker, Best Private Wealth  
Management Bank, Best Bond Deal of the Year for Retail  
Investors in SEA-CPALL

## The Asset

2016 Triple A Country Awards-Best Brokerage House  
2015 Triple A Country Awards-Best M & A House,  
Best M&A Deal-Jardine C&C 's acquisition in SCCC  
2014 Triple A Country Awards-Best Investment Bank

## IAA

2014 Best Research House  
2014 Best Analyst-Energy & Petrochemicals, Property,  
Construction Materials & Construction Services,  
Agro & Food Industry

## IFR Asia Awards 2014

2014 IFR Asia-Structured Equity Deal (CPF's USD 290.4 mm  
Exchange able Bond)

## Asia Money

2015 Best Local Brokerage in Thailand  
2014 Best Equity House in Thailand





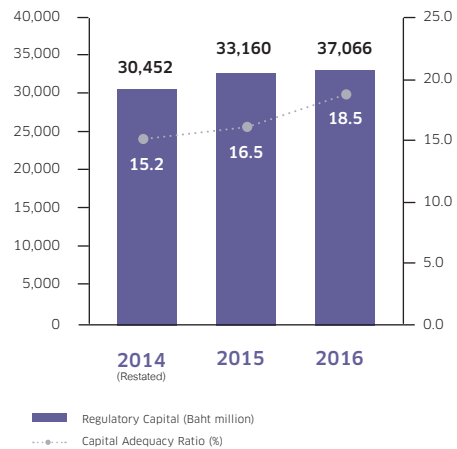
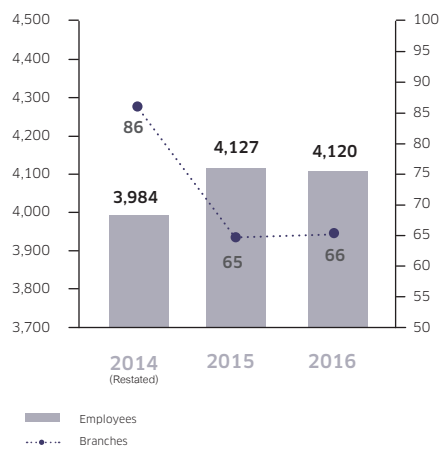
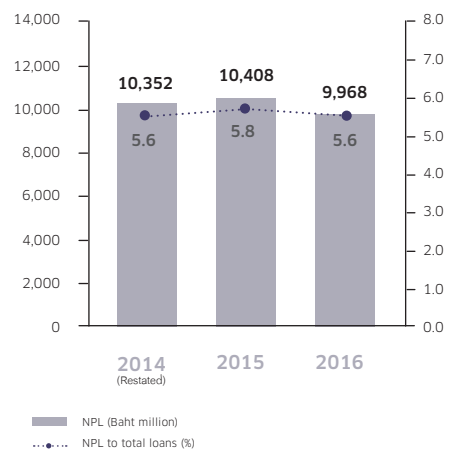
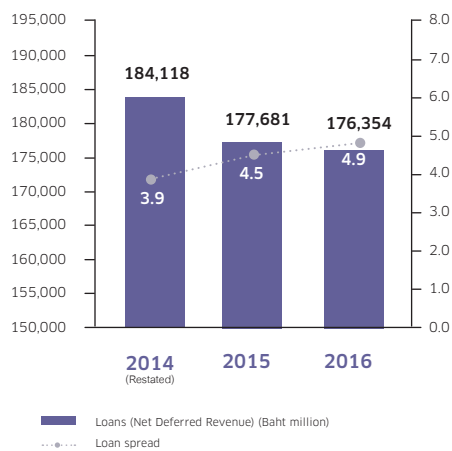
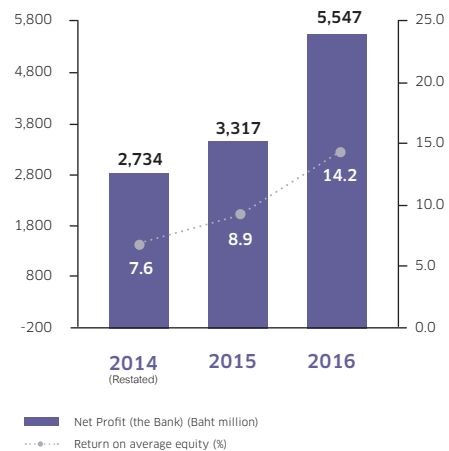
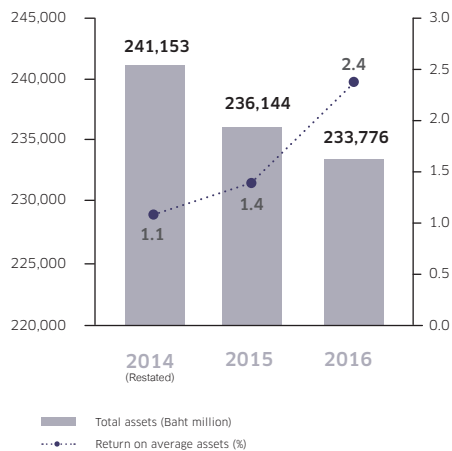
# Financial Highlights

(Baht Million)

## The Consolidated Financial Statements

	2014 (Restated)	2015	2016
<b>Financial Position</b>			
Investment in receivables (net)	3,303	2,899	2,554
Loans (net Deferred revenue)	184,118	177,681	176,354
Allowance for doubtful accounts & troubled debt *restructuring	(8,321)	(9,546)	(10,966)
Total assets	241,153	236,144	233,776
Deposits	132,297	104,327	109,923
Debt issued and borrowings	42,772	61,085	56,055
Total liabilities	204,242	197,988	193,259
Total equity	36,682	37,929	40,298
<b>Comprehensive Income</b>			
Net interest income	8,913	9,449	10,433
Fees and services income (net)	3,452	3,471	3,707
Gain from sale of foreclosed assets	(1,279)	(381)	545
Total operating income	13,912	15,057	16,156
Total operating expenses	7,550	7,822	7,352
Impairment loss of loans and debt	3,199	3,208	2,313
Profit from operating before income	3,163	4,027	6,490
Net profit (attributable to equity)	2,734	3,317	5,547
<b>Financial Ratio</b>			
Return on average equity	7.6	8.9	14.2
Return on average assets	1.1	1.4	2.4
Loan spread	3.9	4.5	4.9
Loan to deposit and borrowing	105.5	107.6	106.3
NPL to total loans	5.6	5.8	5.6
Loan loss reserve to NPL	80.5	91.9	110.1
Cost to income ratio	54.3	51.9	45.5
Capital Adequacy Ratio (Separate)	15.2	16.5	18.5
<b>Branches and Employees</b>			
Branches	86	65	66
Employees	3,984	4,127	4,120
<b>KK Share Information</b>			
Share price - High (Baht)	48.00	41.00	60.75
- Low (Baht)	34.25	29.50	34.75
- Close (Baht)	39.50	36.25	59.00
- Average (Baht)	42.22	35.58	49.98
No. of share outstanding ('000 shares)	842,834	846,751	846,751
Market Capitalization (Baht million)	33,292	30,695	49,958
EPS - Basic (Baht)	3.25	3.92	6.55
- Diluted (Baht)	3.24	3.92	6.55
PE ratio (time)	12.15	9.25	9.01
PBV ratio (time)	0.91	0.81	1.24
Book Value per share (Baht)	43.52	44.79	47.59
Dividend per share (Baht)*	1.85	3.00	6.00
Dividend payout (%)	56.92	76.53	91.60
Dividend yield (%)	4.68	8.28	10.17
<b>Credit ratings by TRIS Rating Co., Ltd.</b>			
Company rating	A-	A-	A-
Rating Outlook	Positive	Stable	Stable

\* Dividend payment for the year 2016 at the rate of Baht 6.00 per ordinary share, the interim dividend of Baht 2.00 per ordinary share was paid on September 23, 2016, while the remaining Baht 4.00 per ordinary share will be proposed to the meeting of the ordinary shareholders on April 24, 2017







## Message from the Board of Directors

Throughout the year 2016, Thailand's financial and capital markets had been affected by the sluggish global and domestic economies, as well as economic uncertainties. Loan growth in the commercial banking system of only 2% in 2016 dropped from 4.3% last year. This was the lowest growth rate during the past seven years since 2009. The ratio of non-performing loans (NPL) to total loans in the commercial banking system increased from 2.55% at the end of 2015 to 2.83% at the end of 2016. However, the overall market capitalization in the Stock Exchange of Thailand ("SET") and the MAI at the end of 2016 was valued at Baht 15.50 trillion, up 23.0% from the end of 2015. The average daily securities trading value in the SET and MAI in 2016 equaled Baht 52,526 million, increasing 18.6% from Baht 44,302 million in 2015. The SET index at the end of 2016 closed at 1,542.94 points, up 19.7% from 1,288.02 points at the end of 2015.

Even though the global and domestic economies were not favorable, with the incessant effort to change and improve the organization in several aspects during the past 2-3 years, Kiatnakin Phatra Financial Group ("the Group") satisfactorily improved with excellent results of operation. The operating result recorded the highest in its history, comparing with those before and after the merger four years ago. The Group's net profit and total comprehensive income of Baht 5,611.12 million and Baht 5,811.24 million respectively, which increased 63.8% and 80.0% from 2015 respectively, were significant motivation for its striving for continual organizational improvement.

The commercial banking business of the Group was both positively and adversely affected by the economic situation. The Bank's loan portfolio slightly contracted by 0.8% from the end of 2015 compared to contractions of 3.1% and 3.6% in 2014 and 2015 respectively. For asset quality, the ratio of NPLs to total loans at the end of 2016 of 5.6% decreased from 5.8% at the end of 2015. The ratio of NPLs from auto hire purchase loans declined from 2.4% at the end of 2015 to 1.9%

at the end of 2016 as a result of the strict internal measures and continuous internal process improvements. On the other hand, the ratio of NPLs from real estate development loans increased to 27.2% at the end of 2016. It was not because the NPL value increased, but was due to the high level of contraction in real estate development loans. The constant low interest rate benefited the auto hire purchase loan business, whereas the over-liquidity in the market caused no competition for deposits among financial institutions. Therefore, the Bank could better manage its cost of fund than expected. Furthermore, on special asset management business, the Bank could sell long-lasting non-performing assets totaling Baht 2,366.04 million.

For the capital market business, in 2016 the Group sold all shares held in KKTRADE Securities Company Limited ("KKTRADE"), which operated securities business for retail clients, to effectively manage its resources and focus on the businesses in which it has expertise and competitive capability. The Group had gain from selling such shares in KKTRADE of Baht 114.48 million.

Phatra Securities Public Company Limited ("PTSEC"), which was one of the companies in the Group, had a total market share in securities brokerage business in 2016 of 4.8%, ranked fourth among thirty-six brokers. The assets of high-net-worth individuals under advisory at the end of 2016 totaled approximately Baht 380 billion, up from approximately Baht 310 billion at the end of 2015. Meanwhile, Phatra Asset Management Company Limited ("PASSET") had a satisfactory performance in 2016, as its long-term equity fund - PHATRA LTFD - was awarded by Morningstar Research (Thailand) Ltd. as the winner of the Morningstar Thailand Fund Award.

In addition to the above-mentioned financial results, in 2016 the Group had significant developments in several aspects for its competitive efficiency and sustainable growth. These included the introduction of retail loans through sales agent channel, upgrading



flagship branches as financial hubs to offer complete financial and investment products of the Group, creating innovation on loan product called KK SME Car3X which was Thailand's first SME loan allowing the use of automobiles as collateral, the launching of Phatra Edge – its personal wealth planning service offered to mass affluent clients who own Baht 2-30 million under an open architecture concept, KK Biz e-Banking, KK e-Banking, etc.

The Group has improved its risk management practices in a range of areas, such as developing models and risk management instruments – NCB Grade for credit approval, approval scoring model for auto hire purchase loan portfolio, behavioral scoring model for auto hire purchase and personal loan portfolios, watch list for commercial lending portfolio, rule-based fraud detection for auto hire purchase loan portfolio, collection tools, etc. Moreover, the Group has added more headcount for the Risk Management Group to increase its working efficiency and support the business operation, identified the organizational risk appetite, managed liquidity risk in accordance with Basel III and supported the organizational risk management culture.

For corporate governance, the Group strives to upgrade its corporate governance to be more comparable to international standards. The Board of Directors therefore annually reviews its Corporate Governance Principles. During 2016, the Bank improved several corporate governance practices. For instance, the Bank improved the board structure to be comprised of members with various qualifications in terms of knowledge, expertise, experience and age and reduced the number of executive directors so as to increase the proportion of independent directors. The Board of Directors further increased its scope of duties and authorities to encompass appropriate risk appetite defining, controlling the business operation to be under the proper risk level and defining policy, strategy and guideline to ensure the Bank's capital adequacy and policy for crisis stress test. The Underwriting Committee was set up to assist the Executive Committee of the Bank in fulfilling its oversight responsibilities in

relation to the underwriting of securities or any business substantially deemed to commit capital of the Bank and companies in the Group. The Group also communicated with clients and counterparties on its intent of providing services with good corporate governance and rigorously against all types of corruption. The strong intention and attempts to improve corporate governance has enabled the Bank to obtain many rewards and outstanding results in corporate governance assessment, including being rated as "Excellent" from the annual corporate governance survey in the year 2016 of the Thai Institute of Directors (IOD).

Additionally, the Bank realizes the importance of its responsibilities to society, community and the environment. Therefore, its business operation has strictly complied with a written policy for conducting business with responsibility towards society. Consequently, for two consecutive years, KKP share has been nominated by the SET as one of Thailand Sustainability Investment 2016 and the Bank has been selected by THAIPAT's ESG Rating Unit as one of 100 listed companies to be on the list of ESG100 in the year 2016 due to outstanding sustainability performance on environmental social and governance aspects.

Besides these developments, the Bank and companies in the Group constantly put great emphasis on co-operation to increase the business potential and opportunities by expanding the existing businesses and reducing limitations. The Group aims to synergize the overall benefits and effectively raise competitiveness. In addition to the synergies in private client and investment businesses in which there has been much progress, in 2016 the Bank and companies in the Group started co-operation to improve potential and add further opportunities in wholesale & investment banking business by jointly managing resources and offering products and services to clients of the Group.

For the year 2017, the challenges facing the Group's business operation are the direction of the global economy and trade, the health of the domestic economy, tourism, export, price trends for agricultural products, drought and flooding, household debt, NPLs,

public and private investment, political stability and financial technology. The Group will carefully operate its business in accordance with its vision to be a financial institution that creates success for clients' businesses and investment management and expand its investment in businesses which have good trends and in which the Group has expertise and competence. It will try to maintain its good performance and growth, as well as continue to focus on improving its personnel and information technology and creating innovations and

know-how. In the meantime, the Group will constantly endeavor to improve its corporate governance and risk management in all aspects in order to minimize the potential for damage to its operations and reputation.

The Group's operation benefits from the support and cooperation of all parties including shareholders, clients, business allies, employees and executives. On this occasion, the Board of Directors would like to thank you and wish you happiness and success in your work and family life.



Mr. Supol Wattanavekin  
Chairman of the Board of Directors



Mr. Banyong Pongpanich  
Chairman of the Executive Committee





# Policy and Business Overview

## Background

Kiatnakin Phatra Financial Group (“the Group”) emerged from the merger between Kiatnakin Bank Public Company Limited (“the Bank”) and Phatra Capital Public Company Limited (“PHATRA”) on September 13, 2012 in order to synergize their 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. As a result of the merger, the Bank acquired 99.93% of PHATRA and offered newly-issued ordinary shares of the Bank to PHATRA’s shareholders at a swap ratio of 1 ordinary share of PHATRA to 0.9135 ordinary shares of the Bank in accordance with the merger plan approved by the 2012 Annual General Meeting of Shareholders.

After the merger, the Group operates two main businesses, namely commercial banking business operated by the Bank and capital market business operated by companies in the Group, which consists of PHATRA, Phatra Securities Public Company Limited (“PTSEC”), KKTRADE Securities Company Limited (“KKTRADE”) (previously known as Kiatnakin Securities Company Limited/ KKS) and Phatra Asset Management Company Limited (“PASSET”) (previously known as Kiatnakin Fund Management Company Limited/ KKF).

In 1971, the Bank was established as Kiatnakin Finance and Securities Company Limited with Baht 10.00 million in registered capital to operate the finance and securities businesses. The company was listed on the Stock Exchange of Thailand (“the SET”) in 1988 before its transformation to a public company in 1993. Eventually, its finance business and securities businesses were separated in 1999.

Kiatnakin Finance and Securities Company Limited was operating at the time of the financial boom period and also experienced several national economic crises, especially the economic crisis in 1997 in which the company was one of the 57 financial institutions that were forced to temporarily discontinue operation.

However with its perseverance, commitment and support from its strong alliances with shareholders, clients, management and employees, the company was granted permission by the Ministry of Finance to resume business operation in 1998. The Company continued to steadily grow until it was granted permission to upgrade from a financial company to be “Kiatnakin Bank Public Company Limited” and began to operate as a commercial bank from October 3, 2005 onwards.

PHATRA is a holding company set up on April 1, 2010 as a public company limited under the business restructuring plan of PTSEC to engage directly in the investment business and hold shares in PTSEC.

PTSEC is a broker member of the SET (no.6). PTSEC was founded on September 17, 1997 under a policy of separating finance and securities businesses of Phatra Thanakit Finance and Securities Public Company Limited, set up in 1972, in order to carry on securities business. PTSEC’s main businesses consist of securities and derivatives brokerage business for local and foreign institutional clients in which PTSEC had Bank of America Merrill Lynch (“Merrill Lynch”) as its exclusive business partner and for high-net-worth individuals in which PTSEC operates private wealth management business covering several asset classes and focusing on asset allocation, investment banking business and investment business.

The Bank completed the additional share purchase of 40% of total shares sold of KKF from the Government Pension Fund (GPF). The transaction was completed on September 28, 2012 when the total Baht 63 million was settled in exchange for 4.8 million shares of KKF. There was a record of goodwill totaling Baht 19 million from this transaction. Therefore, the Bank held 99.99% shares in KKF. Thereafter, the Bank transferred shares in KKF and KKS to PHATRA on December 28, 2012 and January 2, 2013 respectively in accordance with the merger plan. Consequently, the Bank holds 99.99% shares in KKS and KKF via PHATRA.

On September 25, 2012, the newly-issued ordinary shares of the Bank started trading in the SET, while PHATRA's shares were delisted from the SET. Later, the Bank officially changed the stock trading ticker from "KK" to "KKP" effective from August 1, 2013 onwards.

On July 8, 2016, PHATRA sold a total of 49,999,998 shares or 99.99% in KKTRADE to Yuanta Securities Asia Financial Services Limited.

## Shareholding Structure of the Group

The Bank, the parent company of the Group, operates the commercial banking business. PHATRA is the Bank's subsidiary company, which is a holding company and operates an investment business. PHATRA has subsidiary companies which consist of PTSEC, which is a securities and derivatives broker, PASSET and Phatra Asset Management (Cayman) Limited ("Phatra Asset Management (Cayman)"), which are the asset management companies.

The shareholding structure of the Group is as follows:



In addition, the Bank has CMIC Development Company Limited, which operates real estate business, as its subsidiary and holds unit trusts in six mutual funds for resolving financial institution problems. The Bank holds 99.95% shares in Asia Recovery Fund 1, 99.59% shares in Asia Recovery Fund 2, 99.97% shares in Asia Recovery Fund 3, 98.91% shares in Thai Restructuring Fund, 95.72% shares in Bangkok Capital Fund and 94.03% shares in Gamma Capital Fund.



The Bank's subsidiaries according to the Bank of Thailand's Consolidated Supervision Guidelines are as follows:

1. Solo Consolidation: None
2. Full Consolidation
  - 2.1 Phatra Capital Public Company Limited/PHATRA  
PHATRA is a holding company operating an investment business. PHATRA has paid-up capital of Baht 1,051,651,200.
  - 2.2 Phatra Securities Public Company Limited/PTSEC  
PTSEC operates securities businesses, which are securities brokerage, securities dealing, underwriting, securities borrowing and lending and investment advisory, and derivatives businesses, which are derivatives brokerage and derivatives dealing. In addition, PTSEC has registered as a financial advisor type A providing financial advisory services with the Ministry of Finance and has been granted permission by the SEC to act as a financial advisor and selling agent for limited BDU. PTSEC has paid-up capital of Baht 1,067,500,000.
  - 2.3 Phatra Asset Management Company Limited/PASSET  
PASSET operates mutual fund and private fund businesses and has paid-up capital of Baht 120,000,000.
  - 2.4 Phatra Asset Management (Cayman) Limited/Phatra Asset Management (Cayman)  
Phatra Asset Management (Cayman) operates offshore asset management business and has paid-up capital of USD 50,000.

## Corporate Strategy

The Bank's Board of Directors has considered and set the Bank's vision and mission in order to be consistent with the current business strategy as follows:

**Vision** : To attain business growth along with the success of customers and society.

**Mission** : To provide resources to customers properly, adequately and proficiently through services beyond expectation and like none other.

For long-term strategy, the Group emphasizes the businesses in which it has expertise and competitiveness through the development of a wide range of financial and investment products to serve target clients' needs. To accomplish this, the Group strives to create business innovations, generate synergies within the Group, as well as expand into new businesses to enhance its full commercial banking operating capabilities.

The Group plans to increase its service effectiveness and respond to various needs of clients through a variety of service channels. The Group also focuses on improving its internal business processes including risk management and efficient monitoring and control. For organizational development, the Group concentrates on human resources development, information system improvement and strengthening its corporate culture, which are fundamental for business development.

The Group has a policy on organizational development in five main areas as follows:

1. Flexibility: To be a highly flexible organization in order to be able to respond to various clients' needs;
2. Speed: To be able to service clients rapidly 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 strong resources in the aspects of employees, capital, and information systems; and
5. Efficiency: To be an effective organization by controlling its operating cost to a competitive level

## Major Developments 2013-2014

### **Development of Products and Service Channels**

- CarQuickCash



In 2014, the Bank engaged in partnership agreements with B-Quik Company Limited ("B-Quik") and Counter Service Company Limited ("Counter Service"), a subsidiary of CPALL, to expand distribution channels of the Bank's CarQuickCash and CarQuickCash Pae-Pong through B-Quik's service centers and Counter Service with in 7-Elevens nationwide. A partnership with B-Quik has greatly enhanced clients' convenience by allowing potential clients to apply for and receive car check-ups at over 100 B-Quik service centers from 8:00 – 20:30 hrs. every day without an appointment. Application through Counter Service can be made 24 hours a day at over 8,000 7-Eleven branches by providing an ID card, car license number and contact number, whereupon clients are contacted by the Bank within the next business day.

The partnerships the Bank has engaged in with B-Quik and Counter Service emphasize the Bank's goal of continuously providing convenient services for clients through innovative solutions and channels to serve all lifestyles. This is reflected in our slogan "Kiatnakin Bank...BECOME A BETTER YOU".

- Development of Electronic Service Channels for Retail Banking

The Bank aims to increasingly provide retail banking services through electronic channels. This is in order to respond to the target clients' needs, increase the number of alternative channels and create uniqueness of the Bank.

Since 2014, the Bank has started offering KK Smart SMS service, which sends alerts on net balance changes and account balances after financial transactions via SMS to clients' mobile phones. In addition, the Bank has launched KK Auto, which is a mobile application to facilitate clients in finding car prices and calculating car loans. It is also an alternative channel for clients to request a car loan with the Bank.

Furthermore, since 2014, the Bank has opened a cash deposit service via Cash Deposit Machine (CDM). Clients can deposit money to the Bank using the Cash Deposit Machine Network of all banks in Thailand.

- Entering into an Exclusive Bancassurance Agreement

On December 18, 2014, the Bank engaged in an

exclusive bancassurance agreement with Generali Life Assurance (Thailand) Public Company Limited ("Generali") for the period of fifteen years starting from 2015 onwards, to distribute life insurance, health insurance and personal accident insurance from Generali through various channels of the Bank. The partnership helps strengthen the Bancassurance business of the Bank as the Bank works closely with Generali to develop client-oriented and competitive products. Moreover, the Bank, together with Generali, has strived to equip the Bank's personnel with knowledge and understanding of life insurance in order to be able to better cater to clients' needs.

#### Development of Operational Efficiency

In order to serve business needs and increase the sustainable competitiveness and clients' satisfaction, the development of operational efficiency is a priority. In 2013 and 2014, efforts were focused on improving and stabilizing the operational system. The Bank emphasizes the central importance of clients and considers changes and competition in the industry, and has developed its operations as follows:

1. Operation Simplicity: The Bank utilizes information technology to facilitate clients using the Bank's services, aiming to simplify and shorten the service procedures suitable for each kind of transaction. These include process reengineering, process improvement and system integration in order to have a lean process and straight-through processing.

2. Operation Centralization: This is to reduce operational procedures at the sales and service point. Operation centralization also increases the quality of work by using skilled people and offers economy of scale.

3. Internal Control Improvement: The Bank values the importance of internal control improvement to create credibility on service quality.

4. Cost Optimization: The Bank endeavors to increase the effectiveness in resource usage rationalization, productivity improvement and procurement system.

Furthermore, in improving the operational efficiency, the Bank has also focused on personnel improvement for higher competency in service-



providing and business expansion support as well as operation with ethics in accordance with the Bank's Guidelines for Business Conduct.

### **Recruitment of Personnel**

Since the merger between the Bank and PHATRA in 2012, the Group's businesses are diverse and there have been numerous tasks to perform in order to achieve the strategic goal. Consequently, the Group has put great emphasis on recruiting personnel with expertise and experience which can support the Group to accomplish its objectives. The Group has started from organizational restructuring, aiming to help increase the effectiveness of the existing businesses, set up new businesses, create a check-and-balance system and synergize the benefits of the Group. When the new organizational structure was formed, the Group started from recruiting main personnel in senior executive posts (heads of business or support groups/ business departments) so that they could partake in recruiting their team using experience, knowledge and relationships.

The Group was able to recruit several valuable personnel with experience and expertise from leading local and international banks for the Financial Markets Group, Corporate Banking Group, Process and Product Improvement and Alternative Channels Group, Sales and Distribution Group, Human Resources Group, Information Technology Group, etc. The Group continues to value its personnel and believes that the capabilities and co-operation of all staffs will enable the Group to achieve its objectives as planned.

### **New Business Expansion and Organizational Restructuring**

In 2013, the Bank established two new business units, namely the Financial Markets Group and the Corporate Banking Group to enhance its full banking operating capabilities. The Financial Markets Group is in charge of financial market product development – fixed income, derivatives and foreign exchange – to offer a variety of services to clients of the Bank and capital market business. In the meantime, the Corporate Banking Group is responsible for providing credit facilities and

financial services to large corporations with strong financial status in order to enhance the utilization of the Bank's capital and diversify the Bank's concentration risk from its existing core business dependency.

Moreover, the Bank improved its organizational structure by establishing the Process and Product Improvement and Alternative Channels Group and the Credit Analysis Group in order to enhance the business support and credit control system capabilities.

In 2014, the Corporate Banking Group started providing credit facilities to large corporations, for instance CP All Public Company Limited and Xayaburi Power Company Limited. As of the end of 2014, the Bank had outstanding loans for large corporations of Baht 5,780 million.

Meanwhile, the Financial Markets Group offered financial products to local and foreign financial institutions and counterparties. Its main financial products include bonds, derivatives and foreign exchange.

For foreign exchange and derivatives, the Bank provides hedging solutions to clients by offering derivatives such as FX Spot, FX Forward, FX swap, Interest Rate Swap and Cross Currency Swap.

Besides the new businesses above, on December 24, 2014, the Securities and Exchange Commission ("the SEC") registered the Bank as a derivatives dealer, which could provide services to institutional investors.

### **Synergies within the Group**

After the merger, the Bank and companies in the Group have been co-operating to increase the business potential and opportunities by expanding the existing businesses and reducing limitations of both organizations. The Group aims to synergize the overall benefits and effectively raise its competitiveness by combining all strengths and potential of every company in the Group, e.g. the Bank's capital, PHATRA's experience in the capital market business and the client networks of both organizations. So far, there are synergies in the following two areas:

- Private Client Business

The Group has focused on working in tandem to advance the private wealth management business of

the Group in terms of the amount of assets under advisory and revenue generation. It started from combining the client base, making clear client segmentation and then referring clients who requested such service to PTSEC, which has expertise in providing private wealth management services. The Group therefore has more variety of services to serve its private clients. As of December 31, 2014, there were more than 1,280 clients of the Bank interested in PTSEC's private wealth management business leading to the referral of more than Baht 21,907 million of assets under advisory. Furthermore, in 2014, PTSEC was granted approval from the Bank of Thailand to be able to introduce the Bank's deposit products to its private clients.

- Investment Business

The investment business of the Group has been centralized in order to efficiently improve, expand and provide good return with appropriate risk level. PHATRA and PTSEC operate the Group's investment business by utilizing their experience in the capital market and investment business and the Bank's capital. The Group has considered allocating and prioritizing its investment portfolios according to the return and proper risk level, for instance, the long-term investment in securities, arbitrage trading, etc.

#### **Corporate Governance Improvement**

- Corporate Governance Practice Improvement

The Bank strives to upgrade its corporate governance to be consistent with the newly issued corporate governance guidelines for listed companies – the SET's Principles of Good Corporate Governance for Listed Companies, the Corporate Governance Report of Thai Listed Companies of Thai Institute of Directors Association (IOD) and the ASEAN Corporate Governance Scorecard – and to be more comparable to the international standard. Therefore, the Bank has continuously tried to make improvements in several aspects. During 2014, the Bank improved its corporate governance practices, which included the following:

- Ensured the importance of compliance with the Guidelines for Business Conduct and required all

employees to do the E-learning and the test on the Guidelines for Business Conduct;

- Issued the Bank's Anti-corruption policy, communicated such policy to all employees and assessed the risk of corruption;
- Defined and disclosed the written roles, duties and responsibilities of the Chairman of the Board of Directors and the code of conduct for investor relations officers on the Bank's website;
- Reviewed and revised the Bank's Corporate Governance Principles to add roles, practices and responsibilities of the Bank towards creditors and secured creditors and guidelines for protecting employees informing misconduct or whistle-blowing;
- Improved the guidelines for securities trading of directors and executives by requiring at least one day's pre-approval;
- Improved the Bank's procurement regulation prescribing the supplier selection criteria;
- Required all committees under the supervision of the Board of Directors to perform self-assessments;
- Disclosed charters of the Board of Directors and committees, matters under the authority of the Board of Directors, memorandum of association, risk management policy of the Bank and criteria for submission of questions concerning the agenda item for the Annual General Meeting of Shareholders on its website; and
- Set up Credit Risk Management Sub-committee and Crisis Management Sub-committee.

The Risk Management Committee has established the Credit Risk Management Sub-committee to assist in managing credit risk. The Credit Risk Management Sub-committee has roles, duties and responsibilities in considering and recommending on the sufficiency and appropriateness of the credit risk management policy, strategy, framework and instrument; screening and/ or reviewing criteria relating to lending, commitments, and any transactions with loan-like characteristics; screening and/ or reviewing product programs in terms of credit risk associated with new products; screening criteria for asset quality assessment to ensure that the provision



for loans, commitments and transactions with loan-like characteristics is in accordance with rules and regulations; approving the qualitative asset classification for loans, commitments and transactions with loan-like characteristics; and monitoring the lending portfolio's quality and relevant lending procedures in order to supervise and/ or make recommendations on significant credit risks to relevant units.

Furthermore, the Bank has set up the Crisis Management Sub-committee to assist the Commercial Banking Management Committee to fulfill its oversight responsibility in managing business continuity. This is to ensure that the business continuity management system is effective and appropriate for the situation and in case there is any incident interrupting the Bank's normal business, its critical business functions can continually operate or resume operation within a suitable time period in accordance with the guidelines of the Bank of Thailand.

## 2015

### **Branch Rationalization**

The Bank completed the closure of 24 commercial banking branches situated in inefficient areas in May 2015. At that time, these 24 branches comprised 30% of the total number of branches of the Bank and had approximately slightly more than Baht 5 billion in deposits altogether, which was less than 3% of the total deposits of the Bank. The Bank has gradually upgraded its branches to better serve clients' lifestyles, support comprehensive products including deposits, investments and lending products and services, reduce transaction complexity and time, and create branding to be memorable and consistent with its business direction aiming to operate businesses in which it has expertise. The Bank also transformed branches which are strategically important (high amount of deposits and investments) to be financial hubs providing the Group's financial and investment products and opened new branches in efficient areas, both standalone and in shopping malls. Hence, as of the end of 2015 the Bank had 65 branches in total, down from 86 branches as of the end of 2014.

### **Development of Products and Service Channels**

- **Lombard Loan**

The Group has launched Lombard Loans, which are well-known collateralized loans against liquid assets worldwide, for the first time in Thailand. A Lombard Loan is a multi-purpose loan offered to high net worth clients of PTSEC, who require additional capital to increase financial liquidity for various purposes, such as investment, personal use, etc. For Lombard loans, the client can use existing financial assets in their portfolios as collateral without losing any expected return since clients' financial assets are not sold.

The Bank offers two types of Lombard loans, which are Flexible Term Loans (Duration of not over 12 months) and Fixed Term Loans (Duration: 1,3,6,9 and 12 months). Collateral accepted by the Bank comprises cash, listed shares on the SET (only shares in SET100), property fund, real estate investment trust (REIT) and infrastructure fund traded on the SET. In future, the Bank plans to expand collateral types, such as investment units in mutual funds and private funds, debentures, bank deposits, etc. Lombard Loans are introduced to clients by the financial consultants at PTSEC, while the credit approval is performed by the Bank.

Lombard Loans represent the great synergy between financial and capital market businesses in the Group, which focus on offering more varieties of products and services to satisfy clients' needs and maximize their benefit.

- **KK Smart Gain, KK Smart Million and KK Free 55 Up**

In 2015, the Bank developed more saving products, such as KK Smart Gain and KK Smart Million offering different interest rates. For fixed deposit account, the Bank introduced KK Free 55 Up to individuals, whose age are 55 years and up, for tax benefit as specified by the Revenue Department.

- **Captive Finance Partnership with Suzuki**

The Bank has signed a captive finance partnership agreement with Suzuki Motor (Thailand) Company Limited ("Suzuki") to increase its strength and competitiveness in the auto hire purchase business.



The Bank's staffs are at 99 Suzuki showrooms nationwide to promptly offer flexible payment terms and speedy credit approval through online credit analysis, which can give a preliminary result within a day.

- Partnership with Silkspan

The Bank has entered into a business partnership with Silkspan Company Limited to open a new channel for clients to apply for CarQuickCash online via [www.silkspan.com](http://www.silkspan.com).

- Cash Deposit Service through Thailand Post

The Bank has joined with Thailand Post in offering cash deposit services for the Bank's clients through more than 1,400 branches of Thailand Post nationwide. Clients can fill out the deposit slip, without showing a bank book, and deposit a minimum of Baht 100 up to Baht 50,000 cash per transaction and not exceeding Baht 100,000 per account per day into their saving or current accounts at any Thailand Post branch.

- New Services on KK Contact Center

The Bank has improved its KK Contact Center to offer new services to clients which are 1) outstanding request; 2) account statement request; 3) fund transfer between own accounts; 4) additional account opening; 5) request to stop cheques; and 6) cheque ordering.

- KK Direct Debit Service

The Bank has launched KK Direct Debit to facilitate clients, who have accounts with the Bank or other commercial banks, for repayment of various loan types offered by the Bank – car loan, personal loan, cash card, home loan, HomeQuickCash, CarQuickCash, SME loan and commercial loan.

- KK Smart Investment Service

The Bank has also introduced KK Smart Investment Service, which combines saving and investment services. Through KK Smart Investment Service, clients can set the timeframe and amount of funds for investment in funds according to the Bank's list in advance. The fund for investment will be automatically transferred from either saving or current accounts. Upon the completion of buying,

selling or switching orders, the Bank will send an SMS message to clients.

At present, KK Smart Investment Service has two service types, which are 1) Auto Sweep and 2) Saving Plan. For Auto Sweep, clients set the maximum amount of funds for investing and minimum amount of funds to be maintained in their deposit accounts. This helps clients to increase the return on their deposit accounts and keep enough funds in their deposit accounts for daily expenses. For Saving Plan, clients set investment frequency as weekly, monthly or quarterly, in order to make constant investment for future sustainability.

### **Progress in Bancassurance Business**

After entering into an exclusive bancassurance agreement with Generali, the Bank has worked in close coordination with Generali to replace existing products with better products, as well as expand the Bank's offering with innovative and client-oriented products, for example, KKGEN Infinite Wealth series and the new KK Personal Loan Care that better-caters to clients' needs. Together, the Bank and Generali continue to introduce best-in-class products and services, as well as enhance the capabilities to offer holistic financial solutions that better-serve clients in every segment.

### **Centralization of Credit Approval**

The Bank has centralized its credit approval process for auto hire purchase loan and others, e.g. account opening, change of clients' information, duty stamp payment for cheque, clearing cheque, etc. to benefit clients and the Bank. For clients, they receive more convenience and faster services as some procedures are carried out by staffs, who possess specialized expertise at the head office. In terms of the Bank, centralization of credit approval makes the credit approval process and quality standardized. The control of credit quality can be made with more efficiency. The operating cost can also be reduced. And the Bank has more chances to increase sales and service transactions.



### **Development in Asset Management Business of PASSET**

PASSET continued to develop and launch new funds throughout 2015. Key new fund launches during the year included Phatra Absolute Return Fund and Phatra Global New Perspective Fund.

Phatra Absolute Return Fund focuses on delivering consistent absolute return regardless of SET Index conditions, employing market-neutral strategy via long/short positions. Given its low correlation with the SET Index, the fund can be considered as an alternative asset class, enhancing asset allocation efficiency for investors.

Phatra Global New Perspective Fund is a foreign investment fund that feeds its investment to Capital Group New Perspective Fund (LUX) giving investors diversification and investment opportunities in global equities. Investment decisions are fundamentally driven and actively managed. Capital Group, the fund manager, is one of the world's leading active fund management houses with experience in excess of 80 years. The Fund has delivered consistent superior performance for more than 40 years.

### **Corporate Governance Improvement**

The Bank continues to strive to upgrade its corporate governance to be consistent with the newly issued corporate governance guidelines for listed companies – the SET's Principles of Good Corporate Governance for Listed Companies, the Corporate Governance Report of Thai Listed Companies of IOD and the ASEAN Corporate Governance Scorecard – and to be more comparable to the international standard. Hence, the Bank has continuously endeavored to make improvements in several aspects. During 2015, the Bank improved its corporate governance practices, which included the following:

- Reviewed and revised the Bank's Corporate Governance Principles to add details on directors' qualification to be in line with the Bank's business strategy, and specify that executive directors shall hold a directorship of not more than two companies outside the Group;

- Besides self-assessment of the whole board, an annual performance assessment of individual directors was also conducted. The process followed in conducting an individual director assessment and results of such assessment were disclosed in Form 56-1 and annual report of the Bank;
- All committees under the Bank's Board of Directors' supervision prepared their committees' annual reports and disclosed in Form 56-1 and annual report of the Bank;
- Board skill matrix and director pool were used in nominating new directors;
- Ensured the importance of compliance with the Bank's Guidelines for Business Conduct and Anti-corruption Policy and required all executives and employees of the Bank to do the E-learning and the test on the Guidelines for Business Conduct and Anti-corruption Policy;
- Communicated and sought co-operation from clients, counterparties and outsiders for not providing gifts, entertainment or other remuneration to directors, executives and employees of the Group during the New Year festival or other occasions so that the Group's operation followed its intent of providing services with good corporate governance and was against all types of corruption; and
- Revised the Bank's policies and guidelines to be clearer and consistent with the newly-issued regulations, for instance, Conflict of Interest Policy, Employee Trading Policy, Guidelines for Reporting on Conflict of Interest of the Board of Directors, Executives, Employees and Connected Persons, Guidelines for Reporting Connected Transaction and Strategic Shareholders, and Guidelines on Nominating Directors, Management, Controlling Persons and Advisor, etc.

## 2016

### **Sale of All Shares in KKTRADE**

PHATRA, a subsidiary of the Bank, has executed a sale purchase agreement for the sale of all shares in KKTRADE with Yuanta Securities Asia Financial Services Limited on April 27, 2016.

After the parties have fulfilled all conditions precedent under the share sale and purchase agreement, PHATRA completed the sale of all 49,999,998 shares in KKTRADE, representing 99.99% of the total shares in KKTRADE, to Yuanta Securities Asia Financial Services Limited on July 8, 2016.

### **Development of Products and Service Channels**

- Introduction of Retail Loans through Sales Agent

The Bank has set up the Alternative Distribution Channel Group to upgrade the sale of commercial banking products and further expand the client base for retail loans through its new channel – sales agents – using telesales. This aims to increase the Bank's market share of loan products, build efficient sales agents in potential areas nationwide and improve strategies and operating plans to add market share and revenues to the Bank.

The Alternative Distribution Channel Group started its operation on February 1, 2016. Presently, it offers retail loans, which are personal loan, home loan and SME loan. As of the end of 2016, the Alternative Distribution Channel Group had outstanding retail loans of Baht 5,027.48 million.

- Upgrading Flagship Branches as Financial Hubs

After closing down branches situated in inefficient areas and opening new branches in potential areas in 2015, the Bank has improved and upgraded strategically important branches, which have high deposit and investment transactions, so-called flagship branches, as its financial hubs to offer financial and investment products of the Group. Providing KK's Priority service and PTSEC's wealth management and Phatra Edge services, the financial hubs reflect the Group's business platform as the Bank which provides complete capital market

services. In 2016, the Bank opened two financial hubs at the Central World Plaza Bangkok (4th Floor) and Thong Lo (J Avenue).

- Innovations on Loan Products

The Bank has launched KK SME Car 3X – Thailand's first SME loan that allows the use of automobiles as collateral. It is a new loan concept providing SMEs with alternatives on collateral. With a credit line up to three times the value of vehicle, each client can apply with up to three cars as collateral and receive loan amount ranging from Baht 400,000 to 5,000,000. The repayment period ranges from 24 to 72 months, while the effective rate is lower than a personal loan. This is designed to fit the needs of the majority of SMEs which already possess vehicles for their business use.

This product supports SMEs by providing new funding alternative and is in line with the government's goal of supporting SMEs, which are considered a key foundation of the country's economic growth.

For the automobile hire purchase loans, besides the continual product innovations, the Bank has improved its sale & service models during 2015-2016. Each model is designed to serve different need of partners, such as captive finance and preferred partner.

- Official Launch of Phatra Edge Business

After having more than fifteen years experience and expertise in the wealth management business for high net worth clients who have investment of more than Baht 30 million, PTSEC has expanded its client base to mass affluent clients, who own Baht 2 - 30 million in their accounts, through its new service called Phatra Edge. Phatra Edge is a personal wealth planning service under an open architecture concept providing diverse instruments with unbiased advice, such as wealth management business. Through Phatra Edge, clients can invest in mutual funds of all asset management companies.

Phatra Edge officially launched in 2016 with the slogan "Phatra Edge: An Added Advantage for All Your Investment Needs." It aims to assist clients to



achieve their life target faster and easier by providing personal wealth planning and portfolio management services, introducing products suitable for each client and offering a financial roadmap, which includes tax planning, retiring saving plan, education plan for children and investment planning by its professional investment advisors. Clients can obtain such services via phone or make an appointment at the financial hubs or branches of the Bank.

Phatra Edge - a solution towards building wealth - is convenient and complete. Clients can monitor in-depth market insights and their transaction information via the website and mobile application anywhere and anytime. Furthermore, it provides One Report, which summarizes clients' overall investment, asset growth and return rates for their reference.

- Collaboration with Business Partner in Bancassurance Business

Generali, the Bank's business partner, offers a special privilege under the name "Chronos" for clients, who purchase high premium insurances, through all of the Banks' channels. Such privilege includes services on health assistance, travelling and personal secretary for 24 hours worldwide.

- KK Debit Cards Launched with UnionPay International

The Bank, together with UnionPay International - an international payment network, offers KK debit cards for clients to use for payment or cash withdrawal worldwide. The cards utilize EMV chip technology, which can help protecting cardholders' data in international standard level.

There are four types of KK debit cards, which consist of 1) KK Value Card - suitable for clients who regularly withdraw cash; 2) KK Maxi Card - suitable for clients who make payment or withdraw cash in a high amount and offers protection for loss of life, dismemberment, lost of sight and total permanent disability due to accident; 3) KK Trust Card - offers additional protection for loss of life and medical expense due to accident; and 4) KK Protect Card -

offers full accident coverage ranging from loss of life due to accident, medical expense, benefit during confinement, ATM theft and emergency road assistance.

- Cash Deposit/ Withdrawal and Fund Transfer via Mini-ATM

The Bank is the first bank in Thailand which offers cash deposit/ withdrawal and fund transfer services via mini-ATM machines to facilitate clients' financial transactions at the branches. Such mini-ATM machine is an innovation in Thailand's financial and banking industry as its capacity is comparable with a regular ATM machine but with much lesser cost.

- KK e-Banking

The Bank has developed KK e-Banking service to carry on online transactions. Clients are able to manage their accounts by themselves through the Bank's website, mobile application or Phatra Edge with greater ease and efficiency at all times every day under a global standard safety system. It supports both Thai and English versions and offers a wide range of banking services, including deposit and investment account balance update, fund transfer, payment services, etc.

- KK Biz e-Banking

The Bank has developed KK Biz e-Banking service to carry on online transactions for business clients of the Bank to manage their financial and investment accounts by themselves through the Bank's website with greater ease and efficiency at all times every day under a global standard safety system. It supports both Thai and English versions and offers a wide range of banking services, including deposit and credit account balance update, billing service, bill payment, services for automobile business clients, etc.

- Digital Account or KK e-Account

The Bank has developed a digital account or KK e-Account to facilitate clients. KK e-Account allows clients to use only their identification cards to make deposits, withdrawals or transfer funds without presenting a bank book.

KK e-Account clients are able to open any type of

saving accounts and manage their accounts through electronic channels, i.e. KK e-Banking or KK Contact Center.

KK e-Account is safe as it includes a process of account verification prior to making any transaction. It also provides a monthly statement via e-mail free of charge.

- Remittance Service

The Bank, together with its business partners, additionally offers a remittance service for clients. Besides receiving money transferred to their accounts, clients may opt to receive cash at branches nationwide.

- Additional Payment Channels via Agents

The Bank, together with its business partners, offers additional payment channels via agents, i.e. BigC, CenPay and TMB Bank Public Company Limited, to further facilitate clients in loan repayment.

- Continuous Improvement of KK Contact Center for Deposit and Loan Clients

The Bank has continuously improved its KK Contact Center to serve its deposit and loan clients. Through KK Contact Center, clients can inquire and change their ATM limit. Meanwhile, loan clients are able to follow up on their loan applications, request for receipt and tax invoice for the latest payment, inquire about personal and home loans and open their cash cards.

- Online Communications

The Bank realizes clients' media receiving behaviors nowadays as well as convenience and speed for receiving information from the Bank for their utmost benefit. Therefore, the Bank has added several online channels, which are KK Twitter (@kiatnakinlive), KK LINE (@kiatnakinlive) and KK YouTube (www.youtube.com/kiatnakinlive). Such channels enable the Bank to access a wide variety of target clients. Clients are provided with the Bank's news update in the form of message, article, image, audio and video. Also, they can make inquiry and give opinion and suggestion to the Bank anytime.

- KKP Focus

The Group has arranged KKP Focus to give education on economics, finance, banking, investment as well as the Bank's products and services. KKP Focus is broadcasted on the Money Channel every Monday at 11:00 – 11:30 hrs. Broadcasted clips can be re-run at KK YouTube (www.youtube.com/kiatnakinlive).

### **Synergies with in the Group**

The Bank and PHATRA constantly put great emphasis on co-operation to increase the business potential and opportunities by expanding the existing businesses and reducing limitations. The Group aims to synergize the overall benefits and effectively raise its competitiveness. In addition are the synergies in private client and investment businesses in which there has been much progress. In 2016, the Bank and companies in the Group started co-operation to improve potential and add further opportunities in wholesale & investment banking business, in which the Financial Markets Group and Corporate Lending Group of the Bank jointly work with the Investment Banking and Capital Market Group of PTSEC to offer products and services to clients of the Group.

### **Corporate Governance Improvement**

In order to constantly upgrade its corporate governance, the Bank's Board of Directors has reviewed and revised the Bank's Corporate Governance Principles on an annual basis, as well as continuously endeavored to make improvements on several governance aspects. During 2016, the Bank additionally improved its corporate governance practices, which included the following:

- Reviewed and revised the Bank's Corporate Governance Principles to add details on resolution and minutes of the shareholders' meeting, role, practice and responsibilities of the Bank towards shareholders, employees, counterparties, community, society and environment, connected transactions, intellectual property, anti-corruption, information disclosure, director nomination, scope of duties and authorities of the Board of Directors, vision and





mission, board meeting, Board of Directors' and sub-committees' self assessment, director and management development, succession planning, performance evaluation of the highest executive, etc.

- The Board of Directors consists of twelve directors, down from fifteen directors, and the proportion of independent directors in the board has increased from 33% to 42% in 2016. Also, the proportion of non-executive directors in the board has increased from 53% to 75%.
- Further increased the scope of duties and authorities of the Board of Directors to encompass appropriate risk tolerance defining, controlling the business operation to be under the proper risk level and defining policy, strategy and guideline to ensure the Bank's capital adequacy and policy for crisis stress test.
- Defined additional roles, duties and responsibilities of the Audit Committee on considering a policy on non-audit services of the Bank's auditor to ensure his/ her independence and reviewing risk measures and controls by reviewing the management's risk management reports and

their improving measures to be in accordance with the approved risk management policy, strategy and plan.

- Defined additional roles, duties and responsibilities of the Risk Management Committee on proposing appropriate risk tolerance level to the Board of Directors for consideration.
- Set up the Underwriting Committee to assist the Executive Committee in fulfilling its oversight responsibilities in relation to the underwriting of securities or any business substantially deemed to commit capital of the Bank and companies in the Group.
- Revised the Bank's policies and guidelines to be clearer and consistent with the newly-issued regulations, for instance, Policy and Plan for Capital Management, IT Policy, Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Policy, Bancassurance Business Policy, Delegation of Authority Policy for Commercial Lending and Counterparty Risk Limit Setting, Delegation of Authority Policy for Retail Lending – Product Program and Client Suitability Policy for Derivatives, etc.

## Business Operations

The Group's business is divided into two main groups: the commercial banking business operated by the Bank and capital market business operated by its subsidiaries which are comprised of PHATRA, PTSEC and PASSET.

Both the commercial banking business and the capital market business work closely together in order to achieve combined results in the three business objectives which the Group places focus upon: (1) Credit Business; (2) Private Banking; and (3) Investment Banking. For Credit Business which will focus on loan expansions to retail and Small and Medium Enterprise segment, the goals will be on building efficiencies,

creating standards, identifying new alternative channels to reach the targeted client segments while maintaining an effective risk management and credit monitoring and control. For Private Banking, the goal is to grow the business by capitalizing on the capital market group's expertise in the wealth management business and through the commercial banking business distribution channels to increase fee income and assets under advice. The area of Investment Banking will combine the expertise of several functions within the Group to allow the Group to offer more comprehensive financial services to meet clients' demands.

## Revenue Structure of the Group

The revenue structure of the Group in accordance with the consolidated financial statements for the years ending December 31, 2014 – 2016, is as follows:

	2014 (Restated)		2015		2016	
	Baht Million	%	Baht Million	%	Baht Million	%
Interest Income	15,929	114.5	14,776	98.1	14,869	92.0
Interest Expense	7,016	50.4	5,328	35.4	4,436	27.5
<b>Net Interest Income</b>	<b>8,913</b>	<b>64.1</b>	<b>9,449</b>	<b>62.8</b>	<b>10,433</b>	<b>64.6</b>
Fees and Services Income	3,863	27.8	3,934	26.1	4,174	25.8
Commercial Banking Business	1,698	12.2	1,770	11.8	1,945	12.0
Capital Market Business	2,165	15.6	2,164	14.4	2,230	13.8
Fees and Services Expense	411	3.0	463	3.1	468	2.9
<b>Net Fees and Services Income</b>	<b>3,452</b>	<b>24.8</b>	<b>3,471</b>	<b>23.1</b>	<b>3,707</b>	<b>22.9</b>
Net Gain (Loss) on Trading and Foreign Exchange Transaction	574	4.1	877	5.8	577	3.6
Net Gain (Loss) on Investment	261	1.9	336	2.2	203	1.3
Dividend Income and Profit sharing	278	2.0	321	2.1	442	2.7
Other Operating Income	433	3.1	603	4.0	793	4.9
<b>Total Operating Income</b>	<b>13,912</b>	<b>100</b>	<b>15,057</b>	<b>100</b>	<b>16,156</b>	<b>100</b>



## Nature of Products and Services

### 1. Commercial Banking Business

The commercial banking business provides the following key products and services:

- *Auto Hire Purchase*

The Bank provides all types of motor vehicle hire purchase services to both new and used vehicles including passenger cars, multi-purpose vehicles, and commercial vehicles for individuals and corporate entities. In essence, clients can choose the payment schemes that best fit their needs. Our hire purchase products offer clients the choice of equal installments or with unequal installments (Flexi-payment) or with low installments at the beginning of the term (Balloon payment) to best fit clients' financial requirements. Moreover, the Bank also offers other related automobile services such as application for vehicle licenses, car insurance, payments of annual motor vehicle tax and other related automobile taxes. Our services cover the Bangkok metropolitan area and other provincial areas.

Building good relationships with our partners is important to the auto hire purchase business. As such, the Bank continued to develop a variety of service models with partners to best suit with the requirement of each partner. In addition, the Bank has developed a channel specifically where car sellers and buyers can connect directly (C2C) and both buyers and sellers can contact the Bank via different channels.

As of December 31, 2016, auto hire purchase accounted for 64% of the Bank's total lending portfolio and the ratio of new to used cars, including car quick cash, stood at 48% to 52%. The Bank has continued to place strong emphasis on its auto hire purchase business, by taking into account both market and competitive conditions that enable proper adaptation to changing situations. In this regard, fast and efficient service has been focused upon while maintaining strict credit controls to ensure the loan quality.

- *CarQuickCash*

The Bank also offers loans to car owners through our CarQuickCash product for use in case of financial

emergencies or as working capital. Two types of options are available: (1) transfer of car registration (with flat and flexi-payment interest rate) and (2) non-transfer of car registration (with effective interest rate) that helps reduce interest burden and save on transfer fees. The Bank also introduced unequal installment terms to help clients choose the option which best fits with their needs. In 2016, loan in this segment has grown steadily from promotion efforts through various channels and from the expansion of the existing client base.

- *Personal Loan*

Personal loan business involves multi-purpose loans extended to existing auto hire purchase clients with good credit status and repayment records to support their liquidity needs. The personal loan comprises two facility types: (1) term loans which are unsecured multi-purpose loans with a scheduled repayment term and quick loan approval process granted to support the liquidity needs of borrowers; and (2) revolving loans (Happy Cash product) which are loan facility in which the cash amount can be transacted by using the Bank's KK Cash Card for withdrawals via the ATM Pool with the minimum repayment amounts prescribed by the Bank. During 2016, the Bank has expanded the personal loans to a new client base through the Bank's Alternative Distribution Channel Group which was set up in late 2015 with an aim to increase the Bank's channel in providing personal loans and other consumer loans to new client segments. The Bank focuses on improving the loan approval process and products offered in order to better serve our target clients and allow for expansion into other alternative channels in the future.

- *Housing Loan*

Housing loans are credit extended to finance homebuyers for purchasing new and used houses, including house loan refinance. In addition, under cooperation with our Commercial Lending Group, the Bank offers post-financing with special packages and other privileges to retail clients purchasing real estate projects where the Bank provides pre-financing. The Bank also focuses on improving the loan approval

process to offer clients faster service and offering products to best fit with each target client's need. In 2016, the Bank has also expanded the housing loans through the Alternative Distribution Channel Group.

- *HomeQuickCash*

The Bank offers a multi-purpose (non business related) loan facility with flat interest rates, using freehold houses as collateral (HomeQuickCash) or for refinancing multi-purpose loans from other financial institutions.

- *Micro and Program SME*

Micro and Program SME loans are credit extended to finance individuals or corporate entities conducting small business which includes service industry, retail and wholesale business sectors. There are various types of facilities for this lending category, such as a business working capital line, O/D and business expansion loans, etc. In 2016, the Bank has developed 'Program SME' loan under the name KK SME Car3x, which is an installment loan using car as collateral with credit line of up to three times the collateral value with Baht 5 million maximum loan amount. In addition, the approval criteria are more flexible and faster than the existing Micro SME loans.

- *Lombard Loan*

Lombard loans are multi-purpose credit facilities offered to high net worth clients of PTSEC using financial assets as collateral (currently cash, SET100 securities, exchange traded investment units in Property and Infrastructure funds, Real Estate Investment Trusts.) There are two type of loan terms available - Flexible Term (less than 12 months) and Fixed Term (1, 3, 6, 9 or 12 months.) PTSEC's financial consultants are responsible for introducing this product to clients. The Bank plans to allow additional types of financial assets to be placed as collateral in the future. Lombard loan is one example of the combined efforts within the Group to enhance product and service offering to our clients.

- *Retail Deposit and Investment*

The Bank provides deposit services to its retail clients, both individual and corporate entities. There are three main types of deposit accounts: current, saving

(normal and special types) and fixed deposit. The Bank consistently develops new products and services to serve its clients' needs and enhance their satisfaction while taking into consideration the changes in market environment.

In 2016, the Bank launched a variety of deposit products, such as KK Smart Bonus, KK Smart Gain, KK Smart Million and KK Smart Triple, each offering different interest rate and feature schemes. For fixed deposit account, the Bank has launched KK Free 55 Up, which offers tax privileges as stipulated by the Revenue Department. The Bank also offers occasional promotional terms and rates. For services, the Bank has introduced KK Smart Investment service offering automatic services between deposit and investment accounts in order to provide added convenience to clients and KK e-Account whereby clients can show only their identity card to receive banking services. The Bank also acts as a distributor to various asset management companies. Additionally, together with advice from our team of investment experts at PTSEC, our retail clients can be sure to receive services that best fit with their investment needs.

- *Bancassurance*

The Bank also acts as an insurance broker, or "Bancassurance" provider, providing investment advice and offering life and casualty insurance products. The Bank cooperates with leading insurance companies with strong financial positions which are able to serve our clients nationwide. Our aim is to design and develop a wide range of insurance coverage with the insurers, to provide suitable insurance policies for the Bank's clients. The Bank offers various insurance products such as the following:

- 1). Non-life Insurance - provides protection on insured buildings and assets including life, health and properties of the insured such as fire insurance, motor insurance, all-risk insurance, marine and inland insurance, etc.
- 2). Life Insurance - the Bank offers consultation and financial planning on products such as saving, annuity, and various types of credit life



insurance offering debt obligations coverage to help reduce the financial burden arising through unexpected events, for example auto hire purchase, personal loan, housing loan, floor plan lending, etc.

In 2016, the Bank together with Generali developed and distributed various new products, such as KKGEN Wealth 12/5 and KKGEN Invest Link (Unit linked insurance), which offer varying protections and benefits to best fit with each target client group's needs.

- *Priority Banking*

PRIORITY service is specially created by the Bank for our high net worth clients whose combined value of deposit and investment (average asset) is Baht 10 million or more. Our relationship managers and a team of financial experts from PTSEC provide advice to clients on funding and wealth products and services such as deposits, investment-related services covering equity fund, bonds, asset allocation and bancassurance, namely saving, annuity, and life insurance products to optimize according to each client requirements. The Bank also provides E-banking service, financial and investment planning & consultation services. In addition, the Bank acts as a mutual fund selling agent of asset management companies and has formed a business alliance with insurance companies to conduct bancassurance business.

Main PRIORITY services are:

- PRIORITY Deposit – comprises several types of accounts, specially selected for our clients to choose from. The Bank provides solutions to all clients' financial needs with attractive interest rates.
- PRIORITY Financial Consultant – provides advice on our clients' investment plan for clients with portfolio value Baht 30 million and greater with our financial specialists from PTSEC to ensure that their investment proportions are appropriate.
- PRIORITY Financial Planning – together with advice from our PTSEC financial specialists, makes plans for our clients' financial goals before and after retirement, including educational

planning for their children through investment allocation strategy and appropriate risk management scheme.

- PRIORITY Consolidated Statement – service designed to provide our clients with comprehensive reports for all types of their financial activities and investment in financial instruments along with a portfolio review by specialists from PTSEC.

Besides PRIORITY services, the Bank also gives various PRIORITY privileges throughout the year, with for example exclusive events aimed at increasing knowledge in finance and investment to our clients such as KKP Focus Forum – an update on worldwide investment situations together with investment advice, NeXtGen Program From Study to Success – a seminar that aims to prepare clients' business successor and to further strengthen and advance their business.

- *Corporate Banking*

The Corporate Banking Group was formed after the merger with PHATRA. The purpose was to maintain the synergies formulated from the Group using business relationships that PTSEC had with listed companies in the SET and other major companies when they were providing investment banking and financial consultancy services and raising capital through sale of assets, and 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 auto hire purchase and real estate lending.

The Corporate Banking Group is responsible for offering credit facilities to listed companies in the SET and also other companies under the Credit Policy of the Bank. This does not include those already managed by the Commercial Lending Group.

The Group aims to provide a full range of financial services and instruments that the client would require. Our target market is the listed companies, their 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.

The Corporate Banking Group coordinates with PTSEC's teams, Financial Markets team and other departments to offer various financial services to clients, leading to a broader and deeper understanding of the targeted businesses. Together with the finance and capital markets, the Bank is able to research and select targeted clients 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, broaden the revenue base and diversify risks, especially in respect of strategic risk and concentration risk of the Bank's credit portfolios.

As of December 31, 2016, the total Corporate Banking portfolio was Baht 6,882 million.

- *Commercial Lending*

The Commercial Lending Group provides services to the following five sectors in which the Bank has expertise. As of December 31, 2016, the total Commercial Lending portfolio was Baht 41,337 million. The details of each sector are as follows:

1. Real Estate Lending

The Bank provides real estate lending to property development companies and real estate developers within Bangkok and in the provincial areas. 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 our clients with our timely approval processes, suitable types of loan facilities, an adequate loan amount, and appropriate repayment schedules that suit the clients' anticipated cash flow scheme. The Bank is equipped with 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, and research and development information. The Bank also has a network that can provide client support on project management. These supports are aimed at enhancing the clients' business potential.

2. Apartment and Hotel Lending

Apartment and hotel lending is credit extended to clients who operate rental apartments, service apartments, rental of residential units, dormitories, rental offices, warehouses and hotels; both for new investments and for renovation work. The Bank has architectural and engineering teams which can offer advice on construction plans and construction work for the projects. The Bank's clients are land owners who want to develop their properties for residential rental purposes and existing owners of dormitories and apartments who need additional financing for their business expansion or renovation purposes.

3. Logistics Lending

Logistics lending is credit extended to finance logistic activities, which includes transportation of cement, oil, container boxes, automobiles and vehicle spare parts, etc. In this regard, the Bank offers various credit types such as hire purchase for owners of car rental fleets and hire purchase for trucks, lorries and towing trucks. Other facilities for logistic lending are term loans for land purchase and building construction, and working capital facilities.

4. Commercial and Industrial Lending

Commercial and Industrial focuses on lending to finance various manufacturing businesses, for example printing and packaging businesses and manufacturing of auto parts, spare parts, electrical appliances, communications equipments and hardware. The Bank also provides lending to the food and health care industries. The Bank's lending products include loans for factory expansion and machinery purchase, secured revolving facilities, credit for refinancing etc.

5. Construction Materials and Machinery Lending

The Construction Materials and Machinery Lending provides support to businesses that are related to the construction industry and businesses engaging in the sale and rental of construction machinery. Facilities consist of revolving credit lines, long term loans, refinancing loans, etc.

In addition to offering financial products and services, the Bank also organizes many activities to



support our Commercial Lending clients. Activities are aimed at providing our clients with business insights and assisting them to achieve sustainable business success. Key activities organized in 2016 were as follows:

- 1) Annual 2016 Seminar – combining clients in real estate and apartment and hotel businesses. The seminar focused on providing participants with economic updates, industry trends, opportunities and risks in conducting business.
- 2) Operational Workshop – seminar designed to develop and enhance business skills for management and employees of clients, for example, accounting updates, effective media utilization etc.
- 3) House and Condo Exhibition - The Bank participated in the 34th and 35th House and Condo Exhibition to support our clients' sale events.

- *Special Asset Management (SAM)*

Special Asset Management or distressed asset management is operated by the Bank together with mutual funds in which the Bank holds their unit trusts. The Bank began its distressed asset 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 operation which is a similar line of business to those operated by the Bank's subsidiaries, resulting in the Bank holding total unit trusts in eight mutual funds (all mutual funds have been under liquidation process since September 1, 2015 and the process has been completed for two mutual funds). Special Asset Management is managed by the Debt Restructuring Department, the NPL & NPA Support Department responsible for handling debt restructuring negotiation, and the Asset Management Department responsible for sales of foreclosed assets. The details of assets for sale, such as their location, size, and price range are provided in [www.kkasset.com](http://www.kkasset.com) for viewing by clients and interested parties.

- *Financial Markets*

In 2016, the Financial Markets Group continued its business growth to offer financial services to individual investors, financial institutions, and local and foreign corporate clients with financial market products. Our foreign exchange trading volume increased 25% from the previous year. The bill of exchange and corporate bond investment also remained of interest among our institutional investors and High Net Worth clients in 2016. According to trading statistics from the Thai Bond Market Association (ThaiBMA), the Bank was ranked first in bill of exchange market with market share of 16.10% and ranked eighth in the corporate bond market with market share of 3.39% in 2016.

Financial Markets Group is committed to continuously enhance our product and service standard to valued clients. Moreover, with an attempt to provide full services in bond-related business, the Debt Capital Market (DCM) has been established to serve corporate clients to issue corporate bonds. It continues to emphasize systematic collaboration within the Group to develop and manage strategy, action plan and products for clients' satisfaction. Human resource development is also the key focus which is the main driver to achieve full efficiency in financial market business.

In addition to the developments of products and services offering, the Bank also placed great emphasis on the continuous improvement of its internal processes through the Bank's support functions which comprised Operations, Human Resources, Information Technology, Finance and Budgeting, Process and Product Improvement and Alternative Channel, Credit Analysis, Risk Management, Strategy, Executive Office, Office of Compliance, Office of Internal Audit, Group Corporate Communications and Office of General Counsel and Litigation. Key improvements are as follows:

- *Personnel Development*

The Bank places great emphasis on the development of personnel potential and building organization leadership with the belief that effective teamwork and leadership are the keys to sustainable business growth. In addition, the Bank recognizes the importance of our

employees and strives to create a supportive working environment and a good organizational culture that underlines employee participation, respect and professionalism and also recognizes individuals who exhibit dedication and create innovations for the organization by using various aspects of human resources management. This includes recruitment of qualified personnel, compensation management, fair and competitive welfare and benefits, career management, and a wide range of training, knowledge management, and team-building activities. The Bank also allows opportunities and creates platforms for employees to participate in and create innovations for the organization.

#### *Development of Operational Efficiency*

The mission of the business operations is to continuously enhance client satisfaction and business competitiveness as well as continuing to strengthen the stability of the operating system to ensure the sustainability of the business. The strategic goals and achievements are as follows:

1. Growth Strategy - strategy for growth driven by readiness and availability to operate new businesses including the expansion of existing businesses in accordance with the business plan, requirements and time to market schedule.
2. Efficiency Optimization Strategy - optimizing the operating efficiency through the success of various key developments and improvement initiatives as follows:
  - Operations Centralization - in order to improve quality standards, reducing unnecessary operational activities performed by the sales and service team. The centralization operations model has been put in place to enhance the credit operations functions, credit approval functions, deposit operations functions and others.
  - Increasing Productivity - many operations systems are improved with new operational models through the usage of information technology for transaction processing and recording including integrating various

operational systems together to make their processing seamless. All improvements are conducted under proper risk management, all with the aim to increase speed together with high accuracy in operational procedures, resulting in better services and significantly increased productivity.

- Cost Optimization - management of operating costs reasonably through efficient usage of resources resulting in the reduction of operating cost while increasing cost efficiency.
3. Organizational and Employee Strategy - good operational system and performance are driven by the quality and the ability of employees to help drive the business mission. Therefore, the Bank focuses on the development of the operational team as follows:
    - Communication - effective communication to ensure employees understand the goals and mission of the business in order to be ready to provide operational services to meet the requirements and goals of the business.
    - Organization - the Operations structure has been organized to allow for flexibility in adjusting to meet the needs of business. Also, it is through creating desired organizational behaviors: sense of cooperation, accountability, services with stability, opportunities for continuous improvement and trust.
    - Employees - ensure developments to enhance knowledge and competency in business operations including other related training to suit with each employee's role which will result in increasing business operations efficiency and at the same time provide career progression according to employees' potentials.

The constant changes going through current and future business operations create major challenges in performing the operations mission. Effective change management and quick responsiveness are therefore critical to the success of operations management. In the



next one to two years, the Group will implement innovative business operating systems in order to continue to increase client satisfaction and maintain business competitiveness.

#### *Information Technology Development*

For the year 2016, in close collaboration with the business units, the Information Technology Group has helped to develop and improve on various systems with key developments as follows: Internet Banking and Mobile Banking for retail clients to allow clients the added convenience of banking services through the use of Internet and smart phone devices. The use of Debit Chip Card is to enhance the security level for ATM card usage. The Bank also continued with its goal of creating a seamless service between the commercial banking business and the capital market business through the use of Phatra Internet Banking.

Information technology developments will continue to be the Bank's focus in order to increase the reach to clients and increase clients' safety. During the year 2016, the Bank also set up a data center with standard higher than Tier 3 level which is able to accommodate business growth for the next ten years. The Bank is also in process of developing new systems to increase efficiencies and reduce service time for clients. In terms of organizational management within the Information Technology functions, the team follows the best practices in order to create greater efficiencies. Additionally, Information Technology Group also lends support to other developments throughout the organization to ensure that the Bank's products and services are developed in a timely fashion and in accordance with the business requirements.

#### *Risk Management Development*

##### *- Risk Management Overview*

For 2016, the Group still aimed to synchronize risk management with business operations in order to limit risks within acceptable levels. Risks arise from both internal and external factors including changes in economic conditions, business environment, business operation procedures as well as stakeholders. To manage risks efficiently, risks are classified according

to the Bank of Thailand into five main risk types, specifically credit risk, market risk, liquidity risk, operational risk and strategic risk. The Group employs internationally-accepted risk management procedures of identification, measurement, assessment, monitoring and controlling risks. The Risk Management Committee (RMC) and sub-committees review and comment on risk management policies and guidelines, and track and report an overview of risk management to the Board of Directors. The Risk Management Group and subsidiaries' risk management units, which are independent from front office departments and risk owners, regulate and support risk management of the Group.

The Group has improved many aspects of risk management in 2016, for instance, newly developed tools and enhanced existing tools deployed for more efficient risk management. The number of personnel in risk management departments had been added to enhance the operation efficiency and to provide sufficient liquidity risk management by Basel III, as well as encouraging a good risk management culture.

##### *- Development of Risk Management*

In 2016, the Group developed several risk management initiatives to support and increase efficiency and effectiveness of risk management activities as follows:

##### *1. Risk management model development*

Models and tools for credit risk management have been successfully developed and improved. For example, the Approval Scoring (A-Score) has been developed for loans of new and used cars. NCB grading has been used for credit approval. Behavioral scoring has been also deployed for monitoring auto hire purchase loans, personal loans and cross-selling of other Bank products. In addition, the Group's risk appetite and various early warning tools were specified with the improved rule-based fraud detection for loan portfolios including developments of credit collector tools and watch lists for corporate credit portfolios.

##### *2. Operations for Basel III liquidity regulation*

The Bank has conducted liquidity risk management

according to Basel III regulations with Liquidity Coverage Ratio (LCR) enforced by the Bank of Thailand effective on January 1, 2016. The minimum LCR requirement was maintained at 60% in 2016 before it would be enhanced to 70% by 2017.

3. Risk management capability expansion In order to sufficiently accommodate the business expansion, risk management personnel were increased.

Apart from new development of risk management, the Group also continued to develop the risk management actions from the previous year, which contributed benefits to the business as follows:

1. Developing the Risk Roadmap: Its purpose is for the adoption of the Internal Rating Based Approach (IRB) to capital requirements for credit risk. It consists of two major parts: development of data warehouse infrastructure and development of risk management and capital adequacy tools.
2. Risk management involvement in business units: The Risk Management Group has been incorporated into business units' operations from product and service development/ enhancement to operating procedures.
3. Training about risk management: The trainings have been organized to build risk awareness and risk management culture.
4. Capital sufficiency: The Group has developed a risk management procedure which assesses capital adequacy with Internal Capital Adequacy Assessment Process (ICAAP) under supervisory capital guidelines in accordance to Basel regulations. The procedure covers all risks significant to the Group and three assessments of capital sufficiency that are for business expansions in the future, for current risks and for stressed scenarios.

For 2016, the Group continues to focus on managing risks while promoting cooperation between risk management and other business units. The risk management process will be consistently improved with new tools/procedures

introduced to better reflect future risk exposures.

- Risk Management Policy and Procedure

A key point in the risk management policy is the management of risks throughout the entire organization. Each business unit is responsible for understanding the risks arising from 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 with capital in an amount which depends on the level of transaction risk and loss from its business operations.

- Risk Management Framework

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

- Board of Directors

The Board of Directors defines an appropriate risk level for the Bank's business operation, monitors the business to be operated within such specified risk appetite level and supervises the Risk Management Committee to ensure the development of policies, procedures and control measures of risk management which cover credit, market, liquidity, operational reputation, legal and strategic risks. The Board of Directors is responsible for approving and reviewing the risk management policies and strategies regularly.

- Risk Management Committee

The Risk Management Committee develops risk management policy, oversees the adequacy of policies and risk management systems of the Group and reports to the Board of Directors. It also monitors risk to be within levels of risk appetite acceptable to the Group with a goal to limit risks in a predetermined range while earning an appropriate rate of return.

- Operational Risk Management Sub-Committee

The Operational Risk Management Sub-Committee has been appointed by the Bank's Risk Management Committee. The sub-committee is responsible for assessment of operational risk while





providing guidance, policies, strategies, frameworks and tools for operational risk management. The sub-committee gives advice and supports the development and implementation of operational risk management processes. It also oversees and monitors the progress of the management of risk situations, losses and the Bank of Thailand's observations relating to operational risk management.

- The Credit Risk Management Sub-Committee

The Credit Risk Management Sub-Committee has been appointed by the Bank's Risk Management Committee. The sub-committee is responsible for assessment of credit risk management while providing guidance, policies, strategies, frameworks and tools for credit risk management. The sub-committee assesses and/or reviews policies relating to lending, creating obligations and transactions similar to lending which includes Product Programs. It considers credit risks concerning new products and screens the credit quality assessment policy to allocate capital for loans, obligations and loan-like transactions in compliance with regulations. The sub-committee also monitors quantitative debt classification for loans, obligations and loan-like transactions.

- Risk Management Group

The Risk Management Group designs and develops key tools and risk management procedures, ensures the implementation of such tools and procedures in the business units and various departments within the Group, as well as assesses, tracks, controls and prepares reports of the Group's risk position in order to control the risks within an acceptable level.

- Office of Internal Audit

The Office of Internal Audit audits and verifies the processes of operation for departments and units to be in compliance with policies, guidelines, regulations and processes of operational risk management. The Internal Audit examines and assesses the performance of internal control systems and quality of operational processes to improve such processes as well as to control and reduce risks.

- 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 an 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.

- Compliance

Compliance as the independent control function of the Bank, the Office of Compliance is responsible for supervising the compliance risk with the purpose to enable business units within the Bank to operate in compliance with relevant laws and regulations with an emphasis on working as a business partner in cooperation with business functions and other support functions within the Bank. While principal responsibility for compliance lies with business managers, all employees are responsible for protecting the Bank by (1) understanding and adhering to compliance requirements that apply to their day-to-day activities, including the Bank's Guidelines for Business Conduct and other policies and procedures, and (2) seeking advice from the Office of Compliance with questions regarding compliance requirements and promptly reporting violations of laws, rules, regulations, policies or relevant ethical standards. The Bank's compliance risk management starts with the Board of Directors and senior management, who set the tone from the top by promoting a strong culture of ethics, compliance and control.

This year the Bank initiated a collaboration program between three business units which are the Legal and Regulatory Monitoring Department, the Office of Internal Audit and the Branch Business Support Department to set an audit plan. This collaboration program aims to decrease redundancy in audit, improve the Bank's internal control by setting up remedial guidelines jointly, and enhance the efficiency in branch supervision.

The Office of Compliance educates, provides advice and suggests guidelines in conducting business according to requirements of laws, as well as oversees

the non-compliance risks by forming compliance surveillance programs, including serving as the contact center of the Bank to coordinate with relevant authorities during the official inspection, and monitoring the Bank's operations to ensure corrective procedures according to observations raised by authorities. Also, the Office of Compliance has the duty to ensure that the Bank determines policies, rules and regulations in accordance with relevant laws and the Bank's Guidelines for Business Conduct.

## 2. Capital Market Business

The capital market business is under the operation of the Bank's subsidiaries, comprising PHATRA, PTSEC and PASSET of which core businesses can be divided into four categories:

### 2.1 Securities and Derivative Brokerage

PTSEC is number 6 registered broker servicing foreign and Thai institutions as well as high net worth individuals on stocks and derivatives trading in the SET, Market for Alternative Investment (mai) and Thailand Futures Exchange (TFEX).

In 2016, PTSEC ranked fourth in market share, accounting for 4.81% of the total trading value of combined SET and mai (excluding proprietary trading) and generated revenue from brokerage fee in the amount of Baht 1,188.82 million. The proportion of revenues from institutional investors and high net worth individuals was 59.32% and 40.68% respectively.

Of the total institutional brokerage fee income earned in 2016 of PTSEC, local institutional client business accounted for 56.37%, comprising of asset management companies, provident funds, private funds, the Government Pension Fund, the Social Security Office, and insurance companies. As of December 31, 2016, PTSEC had 60 local institutional clients who transacted at least once in the past year. Foreign brokerage income accounted for 43.63%, of which 75.75% was from Merrill Lynch according to the securities brokerage and business alliance agreement.

In addition, PTSEC's derivatives brokerage fee income from local and foreign institutions amounted to Baht 92.65 million while income from securities borrowing and lending activities totaled Baht 32.88 million in 2016.

PTSEC acts as a broker for high net worth individuals using financial consultants and client service assistants who are registered with the SEC in the capacity to advise clients with investment opportunities for SET/mai listed securities, debt instruments, derivatives instruments, and other investment units. Additionally, PTSEC offers a personal wealth planning and investment to mass affluent clients who have investible assets between Baht 2 - 30 million, using online investment platform and investment advisors in the capacity to advise clients under the Phatra Edge brand.

As of the end of 2016, the value of assets under advisory for all high net worth clients of PTSEC was Baht 378,652 million, from a client list of 14,759 accounts.



The table below illustrates the value of securities traded through PTSEC, brokerage fee, and market share as of December 31, 2016:

	Local Institutions	Foreign Institutions	High Net Worth Individuals
Total Trading Values of PTSEC (Baht Million)	247,257.48	598,330.32	257,145.67
Market Share <sup>(1)</sup> (%)	9.55 <sup>/2</sup>	9.13 <sup>/3</sup>	1.86
Brokerage Fee (Baht Million)	397.57	307.69	483.56
Proportion of Brokerage Fee (%)	33.44	25.88	40.68

Source: SET and PTSEC

1. The market share is calculated based on the figures as collected by PTSEC 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 PTSEC is divided by transactions of foreigners after deducting transactions of foreign individuals.

In servicing clients, PTSEC offers macro and equity research with a team of 11 analysts covering 92 companies. PTSEC's equity research covers an aggregate market value of 75.9% of the market capitalization of the SET. PTSEC provides investment advice and trading ideas for clients with a dedicated sales and research team.

PTSEC's Research Group collaborates with Merrill Lynch under an exclusive agreement on research co-operation. Under the agreement, PTSEC analysts produce research on the Thai economy and politics, as well as SET-listed securities, which are distributed under Merrill Lynch brand while PTSEC also distributes Merrill Lynch research on regional and global macro as well as equity to Thailand based clients.

## 2.2 Investment Banking Business

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

Previous examples of our work include the IPO/POs of PTT PCL, Krungthai Bank PCL, Thai Airways International PCL, Thai Oil PCL, PTT Exploration and Production PCL, Tesco Lotus Retail Growth Freehold and Leasehold Property Fund, Airports of Thailand PCL, Thai Beverage PCL, BTS Rail Mass Transit Growth Infrastructure Fund, MK Restaurant Group PCL, and Star Petroleum Refining PCL.

With our continuous effort to scout for new financial solutions to best serve clients' needs, PTSEC advised and assisted Charoen Pokphand Foods PCL on the issuance of exchangeable bonds of CPF into CP ALL PCL's shares in 2014. The offering was the first-ever issuance of exchangeable bonds in the Thai capital market. Moreover, PTSEC also advised BDMS in its issuance of convertible bonds.

In 2016, despite the challenging environment, PTSEC continues to play a major role in the M&A market, advising major corporations in merger and acquisition transactions, facilitating joint ventures and business alliances, restructuring of businesses, and advising on issuance of financial instruments. PTSEC was chosen to be the financial

advisor of Pruksa Real Estate PCL, Bank of Ayudhya PCL, VGI Global Media PCL, Yum Restaurants International (Thailand) Company Limited, and Mayo Polyclinic Company Limited, with combined transaction sizes totaling more than Baht 70,000 million.

Name of the Company	Details of the Project	Value (Baht Million)
Pruksa Real Estate PCL (PS)	Corporate Restructuring	54,449
Bank of Ayudhya PCL (BAY)	Acquisition of ordinary shares of Hattha Kaksekar Limited (Cambodia)	5,283
VGI Global Media PCL (VGI)	The Acquisition of BSS Holding Co., Ltd. from BTS Group Holdings PCL and the acquisition of Bangkok Smartcard System Co., Ltd. from Bangkok Mass Transit System PCL	1,956
Yum Restaurants International (Thailand) Company Limited	The Refranchising of a portfolio of KFC brand	N/A
Mayo Polyclinic Company Limited	The Entire Business Transfer to Paolo Medic Company Limited	N/A

For the equity market, PTSEC assisted existing shareholders of Beauty Community PCL to divest their stake of Baht 3,300 million through the SET. The company was appointed as a sole book-runner of Beauty Community PCL in its overnight placement, the largest overnight placement in 2016.

Name of the Company	Details of the Project	Value (Baht Million)
Beauty Community PCL (BEAUTY)	Overnight Placement	3,300

Following the merger of the Bank and PHATRA to form the Group in September 2012, the Group has actively strived to achieve corporate synergy and to provide our clients with complete financial product suites. Part of this strategic initiative was our entry into fixed income business with the establishment of Debt Capital Markets at PTSEC to cover fixed income products issuance in the primary market.

In 2016, PTSEC serviced corporate clients in 14 debt offerings as follows:



Name of the Company	Details of the Project	Value (Baht Million)
Berli Jucker PCL (BJC)	Senior Unsecured Debenture Offering 1/2016	54,000
Berli Jucker PCL (BJC)	Senior Unsecured Debenture Offering 2/2016	28,000
True Move H Universal Communication Company Limited	Senior Unsecured Debenture Offering 1/2016	23,000
Bangkok Mass Transit System Public Company Limited (BTSC)	Senior Unsecured Debenture Offering 1/2016	22,000
True Move H Universal Communication Company Limited	Short Term Debenture	16,000
True Corporation PCL (TRUE)	Short Term Debenture	15,000
CPF (Thailand) PCL (CPF)	Senior Unsecured Debenture Offering 2/2016	13,000
B.Grimm Power PCL	Senior Unsecured Debenture Offering 1/2016	5,500
Mitr Phol Sugar Corporation Limited	Senior Unsecured Debenture Offering 1/2016	4,100
Sumitomo Mitsui Banking Corporation	Senior Unsecured Debenture Offering 1/2016	3,500
Home Product Center PCL (HMPRO)	Senior Unsecured Debenture Offering 2/2016	3,000
Kiatnakin Bank PCL	Subordinated Instruments Intended to Qualify as Tier 2 Capital 1/2016	1,500
Kiatnakin Bank PCL	Subordinated Instruments Intended to Qualify as Tier 2 Capital 2/2016	1,500
JWD Info Logistics PCL (JWD)	Senior Unsecured Debenture Offering 2/2016	300

For 2017, PTSEC will place emphasis on growing fee income through the participation as financial advisor in M&A activities, equity and equity-linked offering transactions, and debt offering transactions. PTSEC plans to expand its client base to include mid-sized corporations and to offer them tailored product suites. It will continue to offer new and innovative financing solutions to its existing and potential clients via non-traditional products, and to be the advisor of choice to its existing and potential clients. PTSEC will also continue to work with the Bank, partners, and other stakeholders to offer more complete wholesale banking solutions to its clients, monitor the market for opportunities, and identify potential M&A targets for its corporate clients, both domestically and internationally.

### 2.3 Investment Business

The Investment Business is divided into three categories as follows:

*Medium and Long Term Investment*

Medium and Long Term Investment is operated by the Direct Investment Department of PHATRA. The Direct Investment Department operates under supervision of the Investment Committee, which considers and approves each investment and divestment proposed by the Direct Investment Department and also considers the expected rate of return of investment and the risk level. The investment horizon of the Direct Investment Department is approximately three to five years and the investment covers equity and equity-linked, listed and private companies, and also both on-shore and off-shore companies. The Direct Investment Department searches for investment opportunity in companies that have a strong business model and sustainable competitive advantage, have visible business growth opportunity, have the ability to generate high return on invested capital, are managed by capable management, and whose share prices have yet to reflect their strong fundamental value. In order to evaluate investment opportunity, the Direct Investment Department conducts company visits and management interviews. The team then performs industry analysis, evaluation of target companies' fundamental value and evaluation of internal control process and corporate governance structure. Finally, key risk factors and key considerations of the target companies will be evaluated.

In terms of risk management, the Direct Investment Department's investment evaluation does not only consider the potential return from investment, but also the risks involved with the business. The investment proposal prepared by the Direct Investment Department includes 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 such investment based on risk management framework on a daily basis. The Investment Committee will be

notified or called for meeting to review a particular investment once the market price of the 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, the Direct Investment Department regularly monitors business performance of invested companies to re-evaluate investment positions. Under certain circumstances, it may also utilize appropriate financial instruments, such as derivatives, for hedging purposes, which will be approved by the Investment Committee.

As PHATRA highly emphasizes the protection against potential conflict of interest, especially on the use of internal information, it strives to avoid any conflict of interest between investment of PHATRA and PTSEC clients. Thus, the Direct Investment Department is treated equally as one of PTSEC's clients 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 among entities within the capital market group are specified in order to promote transparency and good corporate governance in order to prevent any potential conflict of interest.

In 2016, the Board of Directors of PHATRA set net additional investment line for direct investment to Baht 1,500 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 2016, the Direct Investment Department's portfolio had market value of Baht 1,641 million. It generated a total profit of Baht 326 million, consisting of dividend income of Baht 32 million, realized gain of Baht 317 million, and negative change in unrealized gain in the amount of Baht 23 million.

*Equity and Derivatives Trading*

This investment is operated by the Equity & Derivatives Trading Department of PTSEC with currently three investment strategies as follows:

1) Arbitrage Trade

The Arbitrage Trade is short-term investment of not more than one year in equity, equity-linked, and





derivatives 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 ETFs under a market-neutral principle. Profit is generated from market price discrepancy between the underlying asset and its derivatives, including securities or derivatives with the same underlying asset. The trade is made under investment and risk framework approved by the Investment Committee and the Risk Management Committee to achieve a return rate specified by the Investment Committee. Trading of securities and/ or derivatives is made to mitigate risk on overall market price.

## 2) System Trade

The System Trade is short-term investment of not more than one year in equity, equity-linked, and derivatives 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 ETFs, 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 derivatives is executed systematically according to the pricing model.

## 3) Financial Product and Service

The Equity & Derivatives Trading Department issues and offers financial instruments to the investors which currently are equity-linked notes, derivative warrants and OTC derivatives. Equity-linked note is a short-term bond of 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 the SET's direct listing system, including both call warrant and put warrant. OTC derivative is a derivative contract between counterparties of which its payoff depends on the underlying asset as stated in the contract. To issue and offer the instruments, the department will evaluate and define purchasing and/ or selling price based on related factors in order to

generate a proper return rate. In addition, the department also performs market-making duty on SET50 Index Option for TFEX and ETFs for asset management companies.

In terms 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 PTSEC 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 the defined timeframe.

For 2016, the department had a total cash limit for investment that was approved by the Board of Directors of PTSEC of not more than Baht 9,500 million. The Investment Committee had also set limits within the approved total cash limit for each investment strategy as: maximum Baht 9,500 million for Arbitrage Trade (allows transferring from other strategies due to lower-risk nature of the Arbitrage Trade), maximum Baht 300 million for System Trade, and maximum Baht 3,000 million for Financial Product and Service (excluding proceeds from structured notes). In addition, the department had an additional cash limit of Baht 1,000 million, approved by the Board of Directors of PTSEC, in arbitrage trade strategy for trading SET50 futures with Phatra Absolute Return fund and expanding proprietary business for the department.

At the end of 2016, the department had net cash usage for investment of Baht 8,245 million.

### *Hedge Fund*

The business operated by the Hedge Fund Department of PTSEC consists of two types as follows:

#### 1) 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 one 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 terms of risk management, the Risk Management Committee has guidelines to monitor and review investment portion, Value-at-Risk, and statistical performance. It also sets 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 plans. The Risk Management Department of PTSEC is in charge of monitoring and reporting to the management on a daily basis.

In 2016, the department had an initial cash investment amount approved by the Board of Directors of PTSEC of not more than Baht 3,000 million. At the end of 2016, the department had net asset totaling Baht 3,094 million.

#### 2) Advisory Business

The Hedge Fund Department provides an advisory service to PASSET using systematic investment strategy. The strategy is offered to clients as private funds and mutual fund.

#### 2.4 Asset Management Business

PASSET's unwavering focus on delivering consistent superior performance and new product offerings that are conducive to clients' best interest helped the company to earn trust from clients, driving assets under management (AUM) to grow in excess of 16.55% YoY in 2016. As of the end of the year, AUM stood at Baht 52.75 billion, comprising of Baht 28.89 billion in mutual funds, Baht 9.75 billion in private funds, and Baht 14.11 billion in property funds.

In 2016 several new PASSET products were launched, enhancing the product platform and broaden the scope of investment choices for unit holders. Phatra Smart Minimum Volatility Fund (Phatra Smart MV), Phatra Small and Mid-Cap Equity fund (Phatra SM Cap) are examples of these new launches. Phatra Smart MV was the first 'smart beta' strategy introduced to the Thai market while Phatra SM Cap showcased the fundamentally driven investment capabilities. In

addition to fixed-income term funds, structured notes were utilized as part of new term-fund strategies, offering investors opportunities to enhance investment yields from stock market movements.

## Distribution Channels

The Group provides services through three entities: the Bank, PTSEC, and PASSET. Details are as follows:

#### 1. Kiatnakin Bank

As of December 31, 2016, the Bank has sixty-six branches (including headquarters). The breakdown by geography is as follows:

Region	No. of Branches
Bangkok and Vicinity	34
Central	7
East	7
North East	6
South	6
North	6
<b>Total</b>	<b>66</b>

Other than its existing branch network, the Bank operates two auction centers, which are located on the Bangna-Trad Highway (8th km) and in Udon Thani province, to support the car auction activities in both metropolitan and provincial areas. The Bank auction centers offer high-standard integrated full-service capacity to clients.

In addition to its branch network, the Bank recognizes the importance of providing sales and services through electronic channels and telephony channels. In the next few years, the Bank will continue to focus on the development of these channels in order to satisfy the growing needs of target clients, reduce the barrier of number of physical branches and create innovations.

Currently, the Bank has the following electronic channels.

- Online banking services, which include KK e-Banking Service, an online banking system that provides basic banking services anywhere anytime; the



consolidation of KK deposit to Phatra Statement (portfolio) via Phatra online banking service as well as bill payment through web browser and mobile application; and KK Biz e-Banking, an online banking system for corporate clients to view their deposit account information, collection & payment and special service for car dealer business.

- KK ATM service: a 24-hour electronic banking system that allows the Bank's clients to perform all kinds of transactions nationwide via ATM pool. The Bank also issued four new types of ATM card (KK Value Card, KK Maxi Card, KK Trust Card and KK Project Card) that tie in with different kinds of life/ accident protection where clients can choose to match with their lifestyles.

- KK CDM service: providing clients a convenient service that allows the Bank's clients to make a cash deposit via any Cash Deposit Machine (CDM) or Post Office through CDM pool and Post Office branches (nationwide).

- KK Mini ATM service: an efficient, ATM-like service that clients can use to make a deposit/ withdrawal/ transfer via Mini ATM machine. Clients need only an ATM/ debit card (all banks accepted) to make and complete the transaction.

- PromptPay registration can be made through the Bank branches and KK e-Banking Service in preparation for the new transfer and receipt of funds in accordance with the government National e-payment policy. This new service is available from 2017 onwards.

- Mobile phone channel services, which include KK Smart SMS service, an automatic system providing SMS transaction alerts to clients' mobile phones. The Bank has also introduced a smart phone application "KK Auto" service, which allows users to perform hire-purchase-related transactions such as query for new car price, estimate of used car price for car owners looking for cash, query on car insurance policy, contact box for users to drop requests or questions and for the Bank to give personalized timely feedback, and notification for payment through the use of smart phones.

- Inward remittance service for any transaction transferred from overseas to any bank accounts in

Thailand.

- Extend more payment channels (BigC, CenPay, TMB Bank) in order to provide added convenience to the Bank's clients to make a loan repayment.

In addition, the Bank operates KK Contact Center (phone number 0-2165-5555) to serve clients' inquiries and transactions through Phone Service (IVR) and KK Contact Center agents. In 2016, the Bank launched many new services of the KK Contact Center, including cross-sell/ up-sell via telesales channel aiming to increase convenience and be an alternative channel to clients. The developments are as follows:

- Account transfer service (within KK Bank) via automatic phone banking system and KK Contact Center agent;
- Statement request via email;
- Loan application status inquiry via phone service (IVR);
- ATM withdrawal/ usage limit inquiry via phone service (IVR);
- Change ATM withdrawal/ usage limit via phone service (IVR);
- Hire purchase receipt/ TAX invoice request via phone service (IVR);
- Loan (personal loan, home loan) information inquiry via phone service (IVR); and
- Activate cash card via phone service (IVR).

The Bank operates KK Assets For Sale Contact Center (phone number 0-2165-5577), KK Biz Contact Center (phone number 0-2165-5599) to better service partners such as car dealers and corporate clients. Additionally, progress has been made to expand the Bank's alternative distribution channel and the Bank now has a team of direct sales agents to offer personal loans, housing loans and SME Car3x loans to interested individuals.

For online communication channels, the Bank values the power of online access, thus providing various 'own' online media that match clients' behaviors and lifestyles in order to develop strong engagement between clients and the Bank.

- KK website ([www.kiatnakin.co.th](http://www.kiatnakin.co.th)): the Bank

revamped its website to be more client- friendly which included centralizing information of the Bank's products, services, promotions, tools & knowledge to fully help support clients' financial decisions, easily drop requests or questions and for the Bank to give personalized timely feedback to valued clients as well as collecting clients' feedback in order to improve the Bank's products, processes and services.

- KK social media: the Bank provides official social media such as KK Facebook ([www.facebook.com/kiatnakinlive](http://www.facebook.com/kiatnakinlive)), KK Twitter (@kiatnakinlive), KK LINE (@kiatnakinlive) and KK YouTube ([www.youtube.com/kiatnakinlive](http://www.youtube.com/kiatnakinlive)) to reach and engage target groups and prospective clients by posting qualitative and quantitative contents of the Bank's products, services, promotions, news, money/investment articles by the Bank's gurus together with a 24-hour comment/complaint handling.

- KK e-newsletter: according to the current client behaviors where content and information are consumed via mobile & computer, the Bank has launched KK e-newsletter via email which is issued weekly. The contents consist of KK products, services, promotions, news and articles that match the target profile.

Furthermore, the Bank designed and established 'One Account' process to enable the Group's clients to be able to use all types of channels, products and services more conveniently. The process starts by

asking for clients' personal profiles in the first application. Then, clients who would like to subscribe to an additional product/service are able to do so easily, without having to provide all information once again.

## 2. PTSEC

The sales and service channel of PTSEC is through its head office at 6/F, 8/F-11/F, Muang Thai-Phatra Office Tower 1, 252/6 Rachadapisek Road, Huaykwang, Bangkok 10310 (Tel. 0-2305-9559). Branch office is located at No. 4,4/1-2, 4/4 Central World, 4/F, Rachadamri Road, Pathumwan Subdistrict, Pathumwan District, Bangkok 10330 (Tel. 0-2305-9961). Additionally, services by phone, Internet and mobile application through Phatra Edge are available, providing convenient accessibility to clients nationwide.

## 3. PASSET

PASSET is currently located at 19/F Muang Thai-Phatra Office Tower 1, 252/25 Rachadapisek Road, Huaykwang, Bangkok 10310 (Tel. 0-2305-9800). Distribution is carried out, in addition to the head office, through thirty selling agents of which two are commercial banks, twenty-one are securities companies, and seven are mutual fund brokerage companies. Additionally, transactions for PASSET funds can be made through the Smart Agent system at all 66 branches of the Bank and Internet channel is also provided for added convenience to unit holders.

No.	Branch	Address	Phone	Fax
<b>Bangkok and Perimeter</b>				
1	Asoke Branch	209 K Tower, Sukhumvit 21 (Asoke), Khlong Toey Nua, Wattana, Bangkok 10110	0-2165-5555	0-2841-5609
2	Seacon Square Srinakarin Branch	55 Seacon Square Shopping Centers 3rd Floor, Srinakarin Road, Nongbon, Pravet Bangkok 10250	0-2165-5555	0-2721-9802
3	The Mall Bangkae Branch	518 The Mall Bangkae, 3rd Floor, Phetkasem Road, Bangkae Nue, Bangkae, Bangkok 10160	0-2165-5555	0-2482-9610
4	Yaowarat Branch	289 Yaowarat Road, Samphanthawong, Bangkok 10100	0-2165-5555	0-2223-1372
5	Siphaya Branch	78 Trok Captain Bush (Charoen Krung 30), Bangrak, Bangkok 10500	0-2165-5555	0-2237-7884
6	Suksawas Branch	178, 180, 182 Suksawas Road, Bangpakok, Ratburana, Bangkok 10140	0-2165-5555	0-2428-8798
7	Major Ratchayothin Branch	234/2 Major Avenue Ratchayothin, 1st Floor, Ratchadaphisek Road, Latyao SubDistrict, Chatuchak District, Bangkok 10900	0-2165-5555	0-2939-6179



No.	Branch	Address	Phone	Fax
8	Nakhon Pathom Branch	992/2-3 Petkasem Road, Tambon Huay Jarakae, Amphoe Muang, Nakhon Pathom 73000	0-2165-5555	034-271-584
9	Samut Prakan Branch	89/8-10 Moo 5, Tambon Bang Muang, Amphoe Muang, Samut Prakarn 10270	0-2165-5555	0-2703-2650 0-2703-1852 0-2389-1654
10	Future Park Rungsit Branch	94 Future Park Rungsit, 2nd Floor, Phahonyothin Road, Prachatipat,Thanyaburi Phathumtani 12130	0-2165-5555	0-2567-6088
11	Nonthaburi Branch	68/30-32 Moo 8, Tambon Bangkrasor, Amphoe Muang, Nonthaburi 11000	0-2165-5555	0-2525-3056
12	Samut Sakhon Branch	1400/98-101, Ekkachai Road, Tambon Mahachai, Amphoe Muang, Samut Sakhon 74000	0-2165-5555	034-837-212
13	Silom Branch	323 United Center Building, 2nd Floor, Silom Road, Silom, Bang Rak, Bangkok 10500	0-2165-5555	0-2237-1952
14	The Mall Bangkok Branch	3522 The Mall Bangkok Department Store, 2nd Floor, Lat Phrao Road, Khlong Chan, Bangkok, Bangkok 10240	0-2165-5555	0-2704-9110
15	Central Festival Eastville	69, 69/1,69/2 Central Festival Eastville 3rd Floor, Praditmanutham Road, Ladprao, Bangkok 10230	0-2165-5555	0-2041-8902
16	Charoen Krung Branch	273/8 Charoen Krung Road, Pom Prap, Pom Prap Sattru Phai, Bangkok 10100	0-2165-5555	0-2221-3148
17	Central Plaza Pinklao Branch	7/222 Central Plaza Pinklao, 4th Floor, Boromratchonnani Road, Arun-Amarin , Bangkoknoi, Bangkok 10700	0-2165-5555	0-2434-9622
18	Central Plaza Rama 3 Branch	79 Central Plaza Rama 3, 4th Floor, Satupradit Road, Chong Nonsi, Yannawa, Bangkok 10120	0-2165-5555	0-2673-6416
19	Thong Lor Branch	125/19, Soi Sukhumvit 55, Khlong Tan Nuea, Vadhana, Bangkok 10110	0-2165-5555	0-2185-2852
20	Phaholyothin Place Branch	408/4 Phaholyothin Place Building, 1st Floor, Phaholyothin Road, Samsen Nai, Phaya Thai, Bangkok 10400	0-2165-5555	0-2619-0136
21	Central Plaza westgate Branch	199,199/1,199/2 Moo 6,Central Plaza westgate 3rd Floor, Tambon Sao Thong Hin, Amphoe Bang Yai, Nonthaburi 11140	0-2165-5555	0-2194-2844
22	Rama IV Branch	1032/7 - 8, Rama IV Road, Thungmahamek, Sathorn, Bangkok 10120	0-2165-5555	0-2287-3579
23	The Mall Thaphra Branch	99 The Mall Thaphra, 2nd Floor, Ratchadapisek Road, Bukkaloo, Thonburi, Bangkok 10600	0-2165-5555	0-2477-7162
24	Mahanak Branch	1082/5, Boe Bae Mini Office Tower, Krung Kasem Road, Mahanak, Pom Prap Sattru Phai, Bangkok 10100	0-2165-5555	0-2628-0025
25	Fashion Island Branch	587, 589, 589/7 - 9 , Ramintra Road, Kannayao, Bangkok 10230	0-2165-5555	0-2947-5077
26	Central Plaza Bangna Branch	587,589 Central Plaza Bangna 4th Floor, Bangna-trad Road (km.3) Bangna,Bangkok 10260	0-2165-5555	0-2398-5950
27	Paradise Park Branch	Paradise Park, 2nd Floor, 61 Srinakarin Road, Nongbon, Pravet, Bangkok 10250	0-2165-5555	0-2325-9150
28	Siam Paragon Branch	991 Rama 1 Road, Pathumwan, Bangkok 10330	0-2165-5555	0-2610-9669
29	Seacon Bangkae Branch	Seacon Bangkae Department Store, 3rd Floor, 607 Petchakasem Road, Bangwha, Phasicharoen, Bangkok 10160	0-2165-5555	0-2458-2826
30	Bang Bon Branch	265 Ekachai Road, Bangbon, Bangkok 10150	0-2165-5555	0-2417-2499
31	Wongwian 22 karakada Branch	132 Mittraphan Road, Pom Prap, Pom Prap Sattru Phai, Bangkok 10100	0-2165-5555	0-2221-7327
32	Muang Thai - Phatra Complex Building Branch	252/203 Muang Thai - Phatra Complex Building, 2nd Floor, Ratchadaphisek Road,Huaykwang, Bangkok 10310	0-2165-5555	0-2275-8633
33	Central World	4,4/1-2,4/4 Central World, 4th Floor, Rachadamri Road, Pathumwan,Pathumwan, Bangkok 10330	0-2165-5555	0-2646-1244
34	Central Plaza Lardprao Branch	1697 Central Plaza Lardprao 2nd Floor, Phaholyothin Road, Chatuchak,Chatuchak, Bangkok 10900	0-2165-5555	0-2069-5504

No.	Branch	Address	Phone	Fax
<b>Central</b>				
35	Ratchaburi Branch	286/25-28 Srisuriyawong Road, Tambon Na Muang, Amphoe Muang, Ratchaburi 70000	0-2165-5555	032-310-391 032-310-254
36	Saraburi Branch	568/7-9, Paholyothin Road, Tambon Pak Priao, Amphoe Muang, Saraburi 18000	0-2165-5555	036-318-446
37	Kanchanaburi Branch	275/1-2 Saeng Chotoh Road, Tambon baan Nua, Amphoe Muang, Kanchanaburi 71000	0-2165-5555	034-620-646
38	Hua Hin Branch	39-39/1 Chomsin Road , Tambon Hua Hin, Amphoe Hua Hin, Prachuab Kirikun 77110	0-2165-5555	032-530-081
39	Suphan Buri Branch	290/3-6 Moo 4 Tambon Sanamchai, Amphoe Muang, Suphan Buri 72000	0-2165-5555	035-546-277
40	Ayuthaya Branch	100 Moo 1, Tambon Pailing, Amphoe Phranakorn Sri Ayuthaya, Phranakorn Sri Ayuthaya 10300	0-2165-5555	035-235-642
41	Phetchaburi Branch	132/8-10 Moo. 1, Tambon Tonmamuang, Amphoe Muang, Phetchaburi 76000	0-2165-5555	032-454-722
<b>East</b>				
42	Chonburi Branch	342 Wachirapakan Road, Tambon Bang Pla Soi, Amphoe Muang Chonburi, Chonburi 20000	0-2165-5555	038-285-690
43	CentralPlaza Rayong Branch	99-99/1 CentralPlaza Rayong 2nd Floor, Bangna-Trat Road, Tambon Choengnoen, Amphoe Muang Rayong, Rayong 21000	0-2165-5555	038-942-690
44	Chantaburi Branch	29/1-4 Moo 7, Tambon Chantanimitr, Amphoe Muang, Chantaburi 20000	0-2165-5555	039-343-615
45	Chachengsao Branch	508, 510 Chachengsao-Bang Pakong Road, Tambon Na Muang, Amphoe Muang, Chachengsao 24000	0-2165-5555	038-516-106
46	Pattaya Branch	47/70 Moo 9, Pattaya Klang Road ,Tambon Nong Prue, Amphoe Bang Lamung, Chonburi 20150	0-2165-5555	038-414-977
47	Sriracha Branch	6-8 Sriracha Nakorn Road 3, Tambon Sriracha, Amphoe Sriracha , Chonburi 20110	0-2165-5555	037-241-993
48	Sa Kao Branch	330 Suwansorn Road, Tambon Sa Kao, Amphoe Muang, Sa Kao 27000	0-2165-5555	038-313-820
<b>North East</b>				
49	Nakhon Ratchasima Branch	952,954,956,958,960 Mittraphap Road, Tambon Nai Muang, Amphoe Muang, Nakhon Ratchasima 30000	0-2165-5555	044-255-746
50	Khon Kaen Branch	9/2 Prachasomorn Road, Tambon Nai Muang, Amphoe Muang, Khon Kaen 40000	0-2165-5555	043-337-734 043-336-143
51	Sunee Tower Branch	512/8 Sunee Tower 1st Floor, Chayangkul Road , Tambon Nai Muang , Amphoe Muang , Ubonratchathani 34000	0-2165-5555	045-355-212
52	UdonThani Branch	215/25, 215/27 Udon Dusadee Road, Tambon Mak Keng, Amphoe Muang, Udon Thani 41000	0-2165-5555	042-223-242
53	Surin Branch	6/7 Lak Muang Road, Tambon Nai Muang, Amphoe Muang, Surin 32000	0-2165-5555	044-535-031
54	Nong Khai Branch	527 - 528 Moo 7, Tambon Nai Mueang, Amphoe Muang, Nong Khai 43000	0-2165-5555	042-460-151
<b>South</b>				
55	Hat Yai Branch	20/1 Ratyindee Road, Tambon Hat Yai, Amphoe Hat Yai, Song Khla 90110	0-2165-5555	074-343-309
56	Surathani Branch	22/144-146, 22/163 Raj-Uthit Road, Tambon Talad, Amphoe Muang, Surathani 84000	0-2165-5555	077-217-408 077-275-844 077-216-035
57	Nakhon Si Thammarat Branch	111, 111/1-4 Pattanakarn Kookwang Road, Tambon Klung, Amphoe Muang, Nakhon Si Thammarat 80000	0-2165-5555	075-317-171
58	Phuket Branch	63/714-716 Moo 4 Tambon Vichit, Amphoe Muang, Phuket 83000	0-2165-5555	076-522-310
59	Krabi Branch	254, 254/1-2 Moo 11, Tambon Krabi Noi, Amphoe Muang, Krabi 81000	0-2165-5555	075-663-923 075-631-218
60	Trang Branch	59/12-14 Huay Yod Road, Tambon Thap Thieng, Amphoe Muang , Trang 92000	0-2165-5555	075-223-293





No.	Branch	Address	Phone	Fax
<b>North</b>				
61	Phitsanulok Branch	286/10 Pichaisongkram Road, Tambon Nai Muang, Amphoe Muang, Phitsanulok 65000	0-2165-5555	055-211-687
62	Chiang Mai Branch	33 Chiang Mai-Lampang Road, Tambon Chang Phueak, Amphoe Muang, Chiang Mai 50300	0-2165-5555	053-409-625 053-217-151
63	Nakhon Sawan Branch	1311/18-21 Moo 10, Tambon Nakornsawan Tok, Amphoe Muang, Nakhon Sawan 60000	0-2165-5555	056-313-655
64	Chiang Rai Branch	102, 102/1-3 Moo 13, Tambon Rob Wieng, Amphoe Muang, Chiang Rai 57000	0-2165-5555	053-719-434
65	Lampang Branch	142-144 Highway-Lampang-Ngua, Tambon Phra Bat, Amphoe Muang, Lampang 52000	0-2165-5555	054-317-699 054-317-229
66	CentralFestival Chiang Mai Branch	99,99/1,99/2 Moo 4, Super Highway Road, Tambon Fah Ham, Amphoe Muang Chiang Mai, Chiang Mai 50000	0-2165-5555	053-288-699

## 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 asset sizes, deposits, and net loans, based on the summary of assets and liabilities (C.B.1.1) as of the end of December 2016, can be grouped as follows:

**Table presents Assets, Deposits, and Net loans of Thai Commercial Banking system as of December of 2016**

NO.	Thai Commercial Bank	Assets		Deposits		Loans (net allowance for doubtful account)	
		Baht Thousand	Market Share (%)	Baht Thousand	Market Share (%)	Baht Thousand	Market Share (%)
1	Bangkok Bank	2,838,799,083	17.9	2,116,658,689	18.6	1,777,103,388	16.8
2	Krung Thai Bank	2,614,797,940	16.4	1,975,157,675	17.4	1,734,198,788	16.4
3	Siam Commercial Bank	2,661,441,626	16.7	2,021,453,602	17.8	1,850,637,161	17.5
4	Kasikorn Bank	2,467,252,336	15.5	1,798,440,168	15.8	1,589,192,460	15.0
5	Bank of Ayudhya	1,805,967,246	11.4	1,102,914,201	9.7	1,302,637,657	12.3
6	Thanachart Bank	906,867,820	5.7	677,807,238	6.0	632,310,316	6.0
7	Thai Military Bank	820,171,686	5.2	599,021,383	5.3	568,335,363	5.4
8	UOB Bank	451,742,684	2.8	324,080,709	2.9	308,971,412	2.9
9	TISCO Bank	260,750,595	1.6	155,950,816	1.4	213,993,663	2.0
10	CIMB Thai	295,623,056	1.9	183,877,466	1.6	193,188,704	1.8
11	Standard Chartered Bank	190,701,145	1.2	52,180,497	0.5	32,284,311	0.3
12	Kiatnakin Bank	220,312,427	1.4	110,209,032	1.0	167,442,101	1.6
13	Land and House Bank	209,694,970	1.3	149,639,499	1.3	138,050,808	1.3
14	ICBC (Thai)	158,150,599	1.0	92,024,042	0.8	93,796,768	0.9
<b>Total</b>		<b>15,902,273,213</b>	<b>100.0</b>	<b>11,359,415,017</b>	<b>100.0</b>	<b>10,602,142,900</b>	<b>100.0</b>
4 large-sized commercial banks		10,582,290,985	66.5	7,911,710,134	69.6	6,951,131,797	65.6
3 medium sized commercial banks		3,533,006,752	22.2	2,379,742,822	20.9	2,503,283,336	23.6
7 small commercial banks		1,786,975,476	11.2	1,067,962,061	9.4	1,147,727,767	10.8

Source :Summary Statement of Assets and Liabilities (C.B.1.1) as of December 2016, the Bank of Thailand

The total assets of Thai commercial banks as of the end of 2016 is at Baht 15.9 trillion, expanding at a decelerated rate of 2.5% per year, continuously slowing down since the end of 2015, which expanded at the rate of 5.6% per year. Considering from a commercial bank perspective, it can be seen that the total assets of the four large-sized commercial banks (accounting for up to 67% of the market) also expanded at a decelerated rate of 2.8% per year as of December 2016, while the total assets of the mid-sized commercial banks expanded at the rate of 3.0%. But the small-sized commercial banks remained stable compared to last year.

The continuous deceleration of the commercial banks' assets is mainly because the overall loan of the commercial banks decelerated due to the fragile economic recovery. Hence, the commercial banks became more prudent in their loan approval process, which led to the decline in system loan growth. The total net loan amount of the Thai commercial banks as of the end of 2016 is at Baht 10.6 trillion, expanding at the rate of 1.3% per year, decelerated from the end of the year before which it expanded at the rate of 5.8% per year.

The fragile economic recovery caused an increase in non-performing loans (NPL) to total commercial banks' loan ratio to 2.83% as of the end of 2016, increased from 2.55% at the end of 2015. However, the health of Thailand's commercial banks is still strong, since banks also raise capital and provision, which can act as a buffer in the case that loan quality deteriorates further. As of the end of 2016, the system's overall provision amounted to Baht 513.2 billion, while the actual to regulatory loan loss provision ratio increased from 156.3% at the end of 2015 to 161.6% at the end of 2016.

The deceleration rate of net loan amount led to a reduction in the commercial banks' need to raise deposit. Hence, the total deposit amount of Thai commercial banks is at Baht 11.4 trillion, expanded at the rate of 1.5% per year, slower than that of the same period last year which expanded at the rate of 2.8% per year. The reason for the deceleration of the deposit amount expansion is partly due to the migration of

(time) deposit into other investment channels which gives higher return and tax benefit, such as insurance and long term equity fund (LTF). Apart from that, another reason that leads to the lower deposit growth is that, currently, commercial banks have expanded their business into other areas in order to acquire extra fee income, such as bancassurance and wealth management.

The fragility of Thailand's economic recovery, which subsequently led to the banks' higher provision, leads to a lower level of commercial bank profitability. The system's net profit amounted to Baht 150 billion in the first nine months of 2016, a contraction of 1.4% compared to the same period of last year. However, since the banks increasingly focus on the transactions and services that generate fee income, the system's total fee income in the first nine months increased by 4.0% compared to the same period of the year before.

#### *Outlook of Commercial Banking Business*

In 2017, the commercial bank industry is expected to gradually recover as Thailand's economy is expected to recover. Hence, there is an increase in demand for loans. The Bank expects that an expansion rate of the economy in 2017 is at 3.2%, a steady rate of increase compared to last year's growth of the same rate. Sectors expected to be the main engine of growth include investment, especially in the public sector, which is expected to expand at 10.0%. This increase is due to the implementation of several government infrastructure projects, such as skytrain lines and new highways. The Bank expects that for these projects the total amount of budget disbursed is approximately Baht 110-120 billion. Furthermore, due to the rising crude oil price, which subsequently leads to an increase in agriculture product prices, the revenue of Thai persons employed in the agricultural sector is expected to increase as well. Note that despite the rise in agriculture price, the Bank still expects the price of rice will remain low due to the significant amount of stock.

The expansion of public sector investment will increase demand for loans as well. The Bank estimates that the total amount of loans and business loans of all commercial banks (accounting for 72% of total loans) in



2017 will expand at the rate of 4.5% and 4.5%, respectively.

Nevertheless, the banking industry still faces four key important risk factors, which are: (1) cost of fund which may increase if the US Federal Reserve suddenly increases the policy interest rate, which would result in a rising bond yield of both international and domestic markets; (2) a high level of household debt, incorporated with the rising amount of NPLs that will limit the demand for, and supply of, saving and personal and business loans; (3) new financial technology, especially in the transfer and payment category, that may change consumer behavior from doing banking transactions at bank branches to doing the financial transaction online. This “digital banking” behavior, such as mobile banking and Internet banking, might lead to the decline of the commercial banks’ fee income; and (4) the new US government’s trade policy, which might affect Thailand’s export and foreign direct investment (FDI) due to its protectionist nature. This may pose significant risk to the Thai economy.

## 2. Automobile Hire Purchase Business

The total amount of domestic car sales in 2016 is 768,788 units, contracting 3.9% from last year. This contraction has continued for four years in a row, but the contraction rate slowed down from 2015, which contracted at the rate of 9.3%. The contraction can be divided into two parts, the first being passenger car sales which contracted by 6.5% and commercial car sales which contracted by 2.3%. This is due to two reasons: (1) the deteriorating economy which deprived consumers of purchasing power; and (2) the abnormally high car sales in the last quarter of 2015 due to the imposition of a new excise tax for cars (enforced in January 1, 2016) which led to higher car prices in 2016.

Even though the total amount of car sales still decreased, there was a positive sign especially in the category of one-ton pick-up trucks and double cabs, which for 2016 expanded at the rate of 1.5% and 2.1% per year respectively. This was partly due to the fading impact of this year’s drought situation, and the rising of some agricultural prices such as rubber and oil palm.

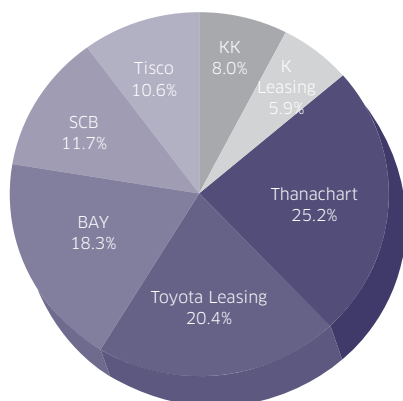
In addition, the sale of trucks which weigh less than 5 tons also rose during 2016 at the rate of 19.4%. This may be due to 1) the popularity of the food truck business; 2) the increase in demand of small-size transportation in accordance with the surge in small and medium businesses; and 3) the business entrepreneur’s reviving demand for trucks to replace the old ones.

In the used-car category (from the Bank’s database), the sales volume expanded in 2016 from the year before, although the reviving amount was not as high as the period when the first car scheme was announced. The rebound was partly due to the demand for used cars when the economy was not fully recovered, while the supply of used cars may be reduced (considering the four-year contraction of new-car sales). Apart from that, the used car growth may be due to the commercial bank controlling of loan quality in the new-car sector which gives low yield, while focusing on the used-car segment which gives a higher yield and can compensate on the loan quality.

This resulted in the slow expansion of automobile hire purchase loan (excluding the personal loan using car as collateral—such as CarQuickCash). As at the end of the third quarter of 2016, the total automobile hire purchase loan amounted to Baht 864,517 million, an expansion of 1.9% per year. This rate of growth is expanding from last year’s figure of 1.0% per year. On the other hand, the quality of automobile hire purchase loan has also increased. This is evidenced by the lowering of NPL rate of 1.8% of total loan at the end of the third quarter of 2016, reduced from 2.3% at the end of 2015.

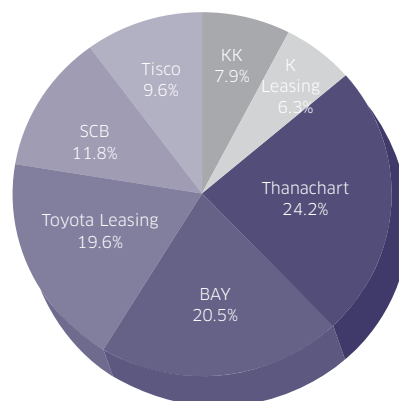
Regarding the competitive situation of the auto loan lenders during 2016, the market share of auto loans (including the personal loan using cars as collateral—such as CarQuickCash) provided by the seven biggest car loan lenders (Thanachart bank, Toyota Leasing company, Bank of Ayudhaya, Siam Commercial bank, Tisco bank, Kiatnakin Bank and Kasikorn Leasing), the market share of the Bank reduced slightly from 8.0% at the end of 2015 to 7.9%. This is partly due to the Bank’s focus on controlling the loan quality. The market share of the seven biggest car loan lenders in 2015 and 2016 are shown below.

2015



**Total outstanding auto loans of 7 major companies of Baht 1,442,177 million**

2016



**Total outstanding auto loans of 7 major companies of Baht 1,425,970 million**

Note that Toyota Leasing loan amount is as of the end of the fiscal year ended March 31, 2015 and 2016 and Kasikorn Leasing loan amount is as of the third quarter of 2016.

#### *Outlook of Automobile Hire Purchase Business*

In 2017, the automobile hire purchase loan in the banking system is likely to recover gradually, as well as the domestic car sales which are expected to increase to 790,000 units. As a consequence, the Bank expects the loan to buy/ hire purchase of the commercial banking system (excluding personal loans secured by cars such as CarQuickCash) at the end of 2017 will expand 1.0% per year. This is due to three factors, which are (1) the replacement of car after the first car scheme is completed. However, the Bank expects that the demand may not significantly rebound, and hence may not affect the supply and the price of used cars; (2) the continuous disbursement of government infrastructure projects, which may support the demand for pick-up trucks; and (3) the rising of some of agricultural prices, which may give a boost to the previously-depressed purchasing power of people upcountry.

However the automobile hire purchase loan will possibly face downside risks, which are (1) the continuing recovery of the economy, and whether it will be sustained or not; (2) the increasing purchasing power, especially for lower and middle-income people, whether will be maintained or not and other negative factors such as high household debt; (3) the increasing interest

rate in the financial market; and (4) the flooding in the southern part of Thailand.

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

2016 was not a good year for the real estate industry. Even though there was a government stimulus measure in the first four months of the year, the overall picture of the industry is dire, due to (1) the reduction in income of people, especially those who work in the manufacturing sector, and the high household debt; (2) the tightening of bank lending, both in the post-finance (mortgage lending especially in the lower and middle-income households, resulting in a high rejection rate of around 40% from roughly 25%) and pre-finance (real estate loan, especially the small developers); and (3) the special event in October, which led to the postponement of project-launching and marketing events.

In 2016, the number of real estate projects launched, and the number of housing units registered in Bangkok and vicinity showed that supply has continuously contracted at the rate of 3.5% and 1.4% per year respectively. This followed the previous year's contraction of 5.3% and 6.7% respectively. On the demand side, the contraction is still visible as well, especially after the expiring of the government stimulus



measures. This was reflected from the amount of property transferred, which reduced to around 10,000 units per month, from around 20,000 units per month during the period in which the measures were in effect. Also, the number of new projects sold was reduced from around 40% per month to 30% per month.

The real estate picture upcountry was also dire, as reflected by the real estate construction area permissions, which continuously reduced in every region of the country. This was especially the case considering the condominium sector in the central, northeastern and southern regions in the first nine months of the year, which contracted at an approximate rate of 30-70% per year.

#### *Outlook of Real Estate Market*

Real estate for housing in 2017 is likely to continue to deteriorate, in which the Bank expects the real estate transfer and the housing registration rate to further contract at 1.9% and 0.7% per year respectively, continued from the contraction of 12.0% and 1.4% the year before. On the demand side, the contraction is due to three main reasons as follows:

First, the economy has still not fully recovered, especially in the private investment category. This will impact income and employment, especially in the industrial sector. Moreover, the remaining high household debt level hinders people's ability to purchase housing and is the leading cause of financial institutions to continue tightening their lending.

Second is the tightening trends in the financial markets, which may affect the minimum lending rate (MLR) on mortgages. This is evidenced by the rising in the mortgage rate of 6.71 % in October 2016, after the continuous decline to the rate of 6.69 % by mid-2016.

Third, the security measures, such as suppression of zero-dollar tours and unregistered hotels, may reduce the demand in the condominium sector in tourist areas, especially those for investment or for rent.

On the supply side, reasons for a cautious view are as follows:

First, the cost of developing a project, especially financial costs, tends to increase. In 2016, a group of developers benefited from raising funds through bonds

issuing without credit ratings. This group might face a possible challenge since the financing cost is starting to rise. Furthermore, developers might face further headwinds due to the rise in several costs such as (1) construction materials; (2) oil price; and (3) land prices which remain high, especially in areas along sky train projects in Bangkok and vicinity. This will have a significant impact on developers, especially the small and medium-sized developers.

Second, the oversupply problem, which requires considerable time to be absorbed, is still a major obstacle to the housing market. Despite the government's measures and delay in launching of new projects, the cumulative supply of condominiums and commercial buildings in Bangkok rose steadily to its highest level in 20 years at 173,669 units in November 2016, and is expected to expand continuously. On the other hand, in upcountry areas the picture is different. Inventory started to decline in the six major provinces and 11 smaller provinces as of mid-2016, with a contraction rate of 0.1% and 7.9% respectively. The contraction is mainly in the condominium and commercial building segments, which may indicate a recalibration of the excess supply upcountry.

Third, there is a risk of a real estate bubble, especially in the luxury condominium market in Bangkok. This is evidenced by the rising price per square meter from Baht 200,000-250,000 to 300,000-400,000, and it may increase to Baht 400,000-500,000 per square meter in 2018. This increase resulted in the average price of condominiums from the database of commercial bank loans rising more than 8% in 2016; while prices of detached homes and townhouses to shrink by about 1% and 1.5% respectively. However, the Bank expects that, although the bubble in the luxury condominium market is worth monitoring, the overall impact on the property market is arguably not great, since the upper-level condominiums account for approximately 15% of the total condominium market.

Despite several headwinds, there are still some possible tailwinds for the real estate sector if they materialize, as follows:

1. Government measures to stimulate the housing market, such as measures to reduce transfer fees and mortgage enacted on October 2015 - April 2016.

2. The acceleration of government investment in infrastructure to meet the projected time frame. The examples of these projects are yellow, pink and orange sky train lines, in which the Bank projects that construction may start in the first half of 2017.

3. The rising in income of people in the manufacturing sector. This may materialize as a result of the reviving export sector. As of the second half of 2016, Thailand's exports started to show some signs of recovering, however the export growth was highly fluctuated and hence needs to be continuously monitored.

4. The rising in commodity prices, such as rubber, oil palm and sugar, which may help improving purchasing power of people in the agricultural sector and help in supporting the economic condition upcountry, such as the southern and northeastern regions.

#### **4. Capital Market Business and Securities and Derivatives Brokerage Business**

2016 was an eventful year with uncertainties throughout the year from concerns over a Chinese hard landing, oil price movement, Brexit, US presidential election, rising bond yield and USD driven by the Fed rate hike in December. However, global equities ended up seeing a good year, both for DM and EM because of the excess liquidity provided the supportive stance from major central banks which helped to keep low rates for longer and oil price eventually rebounded along with other commodities after OPEC reached a crude production cut agreement for the first time since 2008.

The SET index was up 19% YoY. Foreign investors were net buyers of over Baht 83.09 billion after three consecutive years of net selling. Proprietary trading was also a net buyer of Baht 25.43 billion. Meanwhile, local individual and local funds were net sellers of Baht 104.23 billion and Baht 4.29 billion respectively. Aside

from external factors mentioned above, the key positive drivers came from a rebound in the local economy supported by the government spending and tourism in the first half of 2016 than expected. Though the second half of 2016 was volatile due to the passing of our beloved King Bhumibol Adulyadej and also from the sharp drop in Chinese tourists which followed the Thai government's policy to crack down on zero-dollar tours, the market quickly rebounded along with the stimulus policies and a recovery sign in export numbers. The SET ended up as one of the best-performing emerging markets last year.

In 2016, the SET's average daily securities trading value increased 22% YoY with relatively stabilized pricing pressure on high-touch trade executions. However, the stock brokerage industry remains difficult with rising trades from foreign institutions on execution-only services. In addition, effective commission rate also declined with growth in Direct Market Access (DMA) and Program Trading orders as well as High Frequency Trade.

Despite a challenging environment, PTSEC has no policy in aggressive price-cutting but focusing on quality of research and services including technology to effectively support trading transactions. Thanks to the rising participation of foreign and local institutions together with the Co-Location service, PTSEC managed to grow its total market shares slightly from 4.69% in 2015 to 4.81% in 2016. PTSEC's share of foreign brokerage decreased from 9.90% in 2015 to 9.13% in 2016, while the market share of local institutional brokerage decreased from 10.93% in 2015 to 9.55% in 2016.

The table below illustrates the SET and mai market conditions, trading value and market share of PTSEC.





	2015	2016
Average Daily Securities Trading Value of the SET and mai (Baht Million)	44,302.34	52,525.65
Trading Value of the SET and mai by Investor Type		
Foreign Investors (%)	22.20	25.57
Local Institutions (%)	9.39	10.10
Local Individuals (%)	59.21	53.81
Proprietary Trading (%)	9.20	10.52
Average Daily Securities Trading Value of PTSEC (Baht Million)	5,224.19	6,437.38
Market Share of PTSEC (Excluding Proprietary Trading) (%)	4.69	4.81
Market Share- Foreign Investors (%)	9.90	9.13
Market Share- Local Institutions (%)	10.93	9.55
Market Share- High Net Worth Clients (%)	1.81	1.86
Ranking	5	4

Source: SET and PTSEC

For TFEX, high volatility in second half of 2016 helped improve volume on SET50 Index futures, up for two consecutive years from an average of 110,142 contracts per day in 2015 to 131,938 contracts per day in 2016, an increase of 19.8% YoY. Foreign participation increased to 21.2% from 19.9% in 2015 while retail investors continued to be more active and represented 58.1% of the SET50 index future market versus 55.6% in 2015. Single Stock Future remained active on TFEX by individual retail investors. The open interest rose to 1.8 million contracts with notional value of Baht 19 billion in the latter half of 2016. However, liquidity in TFEX remained an issue given more block trade transactions so over 90% of the liquidity traded off-market. PTSEC's derivatives business grew from a larger client base and an increase in volume from low-risk arbitrage strategies, the market share improved from 7.03% in 2015 to 10.09% in 2016.

TFEX Market Summary	2015	2016
Number of Contracts	48,538,899	69,576,130
Trading Volume of PTSEC (No. of Contracts)	6,820,922	14,036,213
Trading Value of PTSEC (Baht Million)	760,613.35	933,504.68
Market Share of PTSEC (%)	7.03	10.09

Source: SET

## 5. Investment Banking Business

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. As of December 8, 2016, there were 72 companies which have been granted licenses to operate financial advisory services and currently are operating, while there were 40 securities firms which are granted licenses 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 client relationships.

Despite the challenging environment, PTSEC has maintained its leading position and has continuously been trusted to advise clients in restructurings and mergers and acquisitions. In 2016, PTSEC was appointed as a financial advisor of Prukha Real Estate PCL in its Baht 54,449 million restructuring to become a holding company, in preparation for future business expansion. In addition, PTSEC assisted Bank of Ayudhya PCL to acquire ordinary shares of Hattha Kaksekar Limited (Cambodia) of Baht 5,283 million. The transaction was a part of Bank of Ayudhya's plan to expand its footprint in ASEAN and ranked as the largest M&A transaction ever accomplished in Cambodia. It also won the Best Cross-Border M&A Deal of the Year in South East Asia from Alpha South East Asia. Moreover, PTSEC also played an important role in advising several prominent companies including VGI Global Media PCL, Yum Restaurants International (Thailand) Company Limited, and Mayo Polyclinic Company Limited.

For the capital market, with our superior origination strength and structuring expertise and exceptional distribution capability, PTSEC remains as a leading player in capital market transactions. In 2016, PTSEC was appointed as a sole book-runner of a Baht 3,300 million overnight placement of Beauty Community PCL, the largest overnight placement transaction in 2016.

In addition, PTSEC has been actively involved in debenture offerings. It has been growing steadily since the introduction of Debt Capital Markets services in 2012 and is now becoming one of the key players in the debenture offering market.

## 6. Asset Management Business

In 2016, there were 24 asset management companies under the supervision of the SEC. Industry AUM (only mutual fund) stood at Baht 4.65 trillion, registering a growth of 14.42% relative to Baht 4.06 trillion in the previous year. (Source: AIMC as of January 5, 2017.)

Fixed-income funds represented the largest share of the industry's AUM, ending the year 2016 at Baht 2.5 trillion or 53.97% of the total AUM. Equity funds stood at Baht 1.4 trillion, or 24.56% of the total AUM. Continued growth was seen from the Retirement Mutual Fund and Long-term Equity Fund category, ending the year at Baht 211.6 billion and Baht 337.4 billion respectively.

Private funds also demonstrated a persistent growth trend with intensifying competition. The whole industry AUM was Baht 738.4 billion, representing a growth of 24.97% relative to 2015.

In 2016, PASSET launched 24 new funds in total (not including private funds): 21 of which were fixed-income/term funds and three were mutual funds, namely; Phatra Minimum Volatility Fund, Phatra Small and Mid Cap Fund, and Phatra Minimum Volatility Fund Long Term Fund.

PASSET is determined to fully exploit the capabilities of the team in delivering consistent superior performance, adhering to ethics and professional standards while continuing to improve the level of services and convenience for clients.



## Risk Factors

The following factors do not include general risk factors caused by the normal business conducts of the Group. In addition, there are other factors that the Bank may not currently perceive or consider as a significant matter but which could be significant risk factors in the future. These risk factors could considerably affect to the Group's business, revenue, profit, asset, liquidity and source of fund.

*1. Changes in domestic and international economies may directly affect the business of the Bank and companies in the Group.*

The business of the Bank and companies in the Group has certainly relied on the status of both the domestic and international economies. In 2016, the overview of the domestic and international economies faced various challenges. These ranged from volatility in financial and capital markets at the beginning of the year to the widespread anti-globalization trend around the world. This was reflected via the voting result of the United Kingdom European Union membership referendum which cast in favor of leaving the European Union (Brexit), and the US presidential election in which the conservative candidate was elected. Moreover, a significant tragedy occurred in Thailand and brought suffering to the whole nation. Conversely, the basis of the global economy improved and the price of agricultural products began increasing in the second half of the year. Meanwhile, the domestic political situation became clearer and better in aspects including policies and measures by the government to consistently stimulate the economy. In addition, efficient management, particularly capital management, brought the highest turnover to the Group's business history.

However, in 2017 the Thai and international economies are still facing a range of risk factors. For example, the anti-globalization trend in the economic policy of leading global countries might bring risks to

domestic trading and investments. Capital outflows, which are more dynamic and vigorous due to measures of the prominent central banks, might introduce risks. In particular, the tendency of an increasing United States policy interest rate could lead to highly volatile returns of financial assets across the world's markets including that of Thailand (e.g. SET index and bond yields.) Moreover, other risks include higher production costs due to the increased price of raw materials such as rising oil price, infrastructure projects driven by the government which could be delayed, and lower liquidity in the financial system. These are business risk factors that may affect subsequent business conduct.

As aforementioned, the business of the Bank and companies in the Group rely on the status of both the domestic and international economies, and thus economic volatility and the political situation would affect clients of the Bank and companies in the Group including for corporate and retail loans. Specifically, the Bank's clients for retail loans are mostly from the agricultural sector and freelancers. Income of this group of clients may be significantly decreased and then deteriorate the loan quality, income and outcome of the Bank in the future. Furthermore, the decrease of liquidity in the financial system could later be an important factor; that is, the increasing interest rates in each tenor may cause higher cost of fund of the Group and affect business liquidity.

Due to the fact that the operating result of the Group includes that from PHATRA, PTSEC and PASSET, securities brokerage and investment banking fees have become one of the significant revenues of the Group. The instability of the economy and political status would negatively affect such revenues by the decreasing of trading value in the SET, transaction volume from Bank of America Merrill Lynch, which is a major international corporate client of PTSEC, and volume of funding and initial public offerings. These shrinking volumes would certainly reduce the securities brokerage

and investment banking fees including other fees from financial advisory and securities underwriting.

For managing the mentioned risks, the Group has regularly monitored, analyzed and followed events that might affect the Group. In addition, the Group has improved the asset and liability structures to suit to the dynamic events, developed measures on how to classify clients for increasing the ratio of quality clients, incorporated risk management into business operations, conducted the stress test and prepared plans for types of crisis.

*2. The Group may not be able to achieve goals as planned which would impact competitiveness and performance of the Group.*

To achieve strategic goals of the Group, the Group needs to consistently improve and develop many business operations. For instance, development of new products, enhancement in private and priority clients as well as expansion of new business units are required to support the growth of the business in the future. Although such developments need skilled personnel, regulation allowance as well as considerable investment and time, they are all mandatory for the Group to achieve goals and reach target clients. The Group, however, cannot guarantee that the mentioned developments would be completed within a planned period or would allow the Group to be comparable or better than the business competitors.

In addition, business and strategic plans of the Group highly involve the development of information technology and systems. This development efficiently helps enhance products and services including diversifying service channels to be compatible with dynamic client behaviors in the digitalization era. The achievement of the mentioned strategic plan undoubtedly involves the Group's competitiveness in developing the information technology system to be comparable or better than business competitors. The Group cannot guarantee that the information technology would be developed and achieved as planned. Delays in such development could also cause the Group to lose

business competitiveness. Although the development may be completed well and in time, the Group still holds a risk that the Group has incorrectly anticipated market needs. As a result, the failure of offered products, services and transaction plan to meet clients' preferences and targeted profits including lack of experience in the new product and service developments could cause ineffective and inefficient business competitiveness.

*3. The Bank may not be able to maintain sufficient capital for future business expansions and competition.*

The Bank's capital under regulations of the Bank of Thailand and Basel III is determined by its Risk-Weighted Assets (RWA) and regulatory capital. These are dependent upon several factors including changes in the Bank's businesses and risks as well as changes to capital requirement regulations. Furthermore, in case the Bank reports an operating loss, the loss will lessen regulatory capital which will certainly affect the capital sufficiency of the Bank. Any reduction to capital may lead to a need to raise funds for business expansion. Such fund-raising may be restricted or at a high cost. If the Bank is unable to raise sufficient funds, it may not be able to grow its business as planned. Consequently, performance will be affected or the Bank's capacity will be reduced, if the restriction on capital is not resolved in the long term.

To reduce the risk of having inadequate capital, in 2016 the Bank sold additional subordinated bonds valued at Baht 3,000 million which under rules from the Bank of Thailand remains eligible as Tier 2 capital under the Basel III capital framework. This strengthened the capital margin of the Bank to be able to handle types of risks as well as the business expansion of the Group. The purpose of maintaining capital and the minimum capital level are determined under the Bank's risk appetite which has been approved by the Board of Directors of the Bank. The purpose of maintaining capital and the minimum capital level are established to reflect these objectives:



- Capital is maintained above the minimum level required by the Bank of Thailand to cover risks not included in the capital adequacy framework.
- Capital is maintained in accordance to risk appetite and risk tolerance determined by the Board of Directors.
- Capital is assessed under stressed conditions. Plans are devised for maintaining capital levels according to the framework in stressed conditions.
- Capital is maintained to cover significant risks according to official regulations the Bank needs to comply with.
- Capital is maintained in a manner which considers its impact to shareholders.

To improve the capital assessment, procedures the Bank has undertaken are as follows:

- Developed quantitative risk assessment systems for credit risk, market risk, operational risk, credit concentration risk and interest rate risk in the banking book under normal and stressed conditions.
- Developed a capital adequacy framework which is linked to aforementioned significant risks for each of the Bank's businesses.
- Developed a performance evaluation system for business units while taking into account the cost of maintaining capital and the ability to report shareholders' return on investment of each business units.
- Developed risk assessment and capital adequacy using economic capital methods.

In 2017, the Group will focus on managing capital more efficiently by having an appropriate fund structure and nearby the others in business. However, the Group still has a limited amount of subordinated debts that could be a part of tier-2 capital. This could be insufficient in the future. The Group may need to raise funds to roll over the expiring subordinated debts in the next 5-10 years. The Group might have risks due to that lack of sufficient capital from fund-raising or risks due to the higher cost of raising funds, which would significantly affect the operating result of the Group.

Additionally, the appropriateness of minimum capital the Bank has to be maintained; additional capital needed according to annual business plan, risk appetite and risk tolerance will be considered for capital adequacy assessment. In the event that estimated capital is less than the level of minimum capital determined by the Bank's risk tolerance or as required by the Bank of Thailand, the Bank will devise a capital plan on a case-by-case basis.

#### *4. Changes in laws and regulations may affect the business, operations and profitability of the Group.*

The Group's businesses are restrictedly controlled by laws and regulations which are typically dynamic and established by government and authorized bodies. The principal authorized organization is the Bank of Thailand. Other governing bodies include the Securities Exchange Committee (SEC) for securities-related business and the Office of Insurance Commission (OIC) for bancassurance business. In addition, the Bank and companies in the Group are also governed by other units, for instance, the Office of the Consumer Protection Board and the Anti-Money Laundering Office (AMLO). The laws and regulations of the mentioned bodies are typically improved and increasingly strict for better-protecting consumers.

In the past year, key laws related to businesses of the Bank and companies in the Group have been significantly changed, such as Act on Business Security, Act on Security and Exchange, Act on Computer-related Crime, Act on Credit Information Business and Act on Amendment of Code of Civil Procedure. These laws, once in effect, would affect operations of the Bank and companies in the Group that need to get adjusted or significantly change.

Changes in laws and regulations from authorized bodies would affect the business target, capabilities and competitiveness of the Bank and companies in the Group. Additionally, failure to completely comply with these laws and regulations would negatively affect the business operations, financial status and performance of the Bank and companies in the Group.

*5. Internal and external corruption tends to increase. Operations of the Bank may not be sufficiently cautious and may cause operational risks which would affect the competitiveness and performance of the Bank.*

The Bank's operations including products and services are diverse and complex. They are related to various units across the country and subject to several laws, rules and regulations. Nowadays, the business confronts dynamic factors such as business growth and expansion, new products and services, modern technologies and novel fraud techniques compared to those that have been advanced in the past. Moreover, situational changes could result in an incautious operation. All of these may cause a new risk, gap or loss in business operations such as incorrect product and service offerings that could affect the business reputation, invoking lawsuits, delays in servicing and lack of competitiveness that all cause loss in revenue, increased costs and poor performance of the Bank.

To reduce operational risks and fraud, the Bank has appointed the Operational Risk Sub-committee to monitor and manage operational risk issues and losses due to misconduct in operations of the Bank. The Bank has also established a fraud unit responsible to control and examine irregularities or events susceptible to fraud for an early response before actual damage is incurred. Additionally, the Bank defines measures to reduce the operational risks in new products and services which require relevant units to evaluate and plan to reduce operational risks as well as conduct a readiness-checking before launching a new product, service or a change in operations. There are also units as a second line of defense, such as the Office of General Counsel, Office of Compliance and Risk Management Group, together analyzing and defining issues. The New Product & Process Review Sub-committee was appointed to prepare the readiness of new products and new processes. The committee will identify flaws, give advice, examine and develop new operations and risk controls before getting an approval on the new products and operational changes and improving them to be as perfect as possible.

However, the expansion to new products and services may have risks the Bank is not able to identify or fully manage. Therefore, the Bank is not able to guarantee that the measures the Bank have taken will prevent all operational losses including fraud or that the measures will be implemented efficiently.

*6. The Bank may not be able to provide and maintain sufficient liquidity for business conducts and expansion.*

The Bank's business depends on its ability to raise funds in deposits or other sources. The Bank must maintain a portion of these funds as liquidity assets for sufficient provisions in normal and stressed situations. The ability to maintain liquidity depends on several factors such as competition, interest rate trend, reputation and credit rating of the Bank, location and number of branches, product diversity and service quality. These factors affect the Bank's ability to raise funds. For example, if the Bank credit rating is reduced, its cost of funds will be raised.

Besides competition and internal factors, regulations also affect the Bank's fund-raising. Under stricter regulations from the Bank of Thailand and Basel III after the global economic crisis, the Bank has to maintain higher liquidity to cover liquidity risk. For changes to deposit protection law each year, the Bank will face liquidity risks in case depositors want to withdraw their deposit portion which exceeds the protection limit of the Bank and transfer their deposits to other financial institutions or to invest in other mediums.

To manage liquidity, the Bank has appointed the Money Desk Sub-committee to analyze and monitor cash inflow and outflow of the Bank. The sub-committee also set up measures to closely monitor liquidity status under normal and stressed conditions according to the liabilities concentration, the risk appetite of the Bank for asset and liabilities mismatch and level of liquid assets under different scenarios. The Money Desk





Sub-committee will regularly convene at least once every two weeks under the supervision of the Asset and Liabilities Management Committee. The Treasury Department plays a key role in the implementation of the Bank's liquidity management to maintain an appropriate level of liquidity with the Risk Management Group monitoring and controlling the position on liquidity risk and regularly reporting to the Risk Management Committee and the Board of Directors. Additionally, the Bank has set up the liquidity contingency plan and regularly practiced it every year.

As the ability of the Bank to raise funds is dependent on various factors, the Bank is not able to guarantee that such management will prevent all adverse liquidity effects, in the event of a significant change in the market.

*7. The Bank may be affected from interest rate risks in banking book caused by volatility of interest rates and duration gap between asset and liabilities durations.*

The reduced liabilities duration is an important risk factor. The Bank is aware of this factor and closely monitors and controls it according to the risk appetite defined by the Bank under hypotheses of interest rate change under normal and stressed scenarios. The Bank has appointed the Asset and Liabilities Management Committee to monitor and control such risk by adjusting maturity and duration gap between liabilities and asset interest rates. Moreover, the Risk Management Group also closely monitors and controls interest rate risks in banking book and consistently reports to the Risk Management Committee and the Board of Directors.

However, if the Bank encounters higher interest rate volatility or if the market interest rate adversely changes by more than expected, such risk, uncontrollable by the Bank, will unavoidably have a direct impact on the net interest income and economic value of equity.

*8. Market risk of the Group is increasing from various transactions in both trading book and available for sale book. Highly volatility of the economy and financial market could affect the performance of the Group.*

Currently, the Bank has transactions involving various financial products in both trading and available for sale book. They include transactions of bonds in Thai Baht and other currencies, FX spot, equities in the SET, interest rate swap, cross currency swap, FX forward, FX swap, equity linked swap, futures contract on interest rates and bonds, options on equity price and index, and derivatives-embedded loans as a comprehensive service to clients of the Group. Moreover, the Group also has market risks in investments in futures and equity derivatives.

For market risks of the Bank that are mostly on the interest rate and foreign exchange rate, the Bank is aware of the increasing risk from mentioned transactions in the current highly-volatile market. These risks from both domestic and international factors, which are uncontrollable by the Bank, may affect the instability of risk factors and cause a negative result in the trading book. As a result, the Bank has specified the risk tolerance of each transaction in the trading book to comply with the Bank's risk appetite and risk management policy of the Group. In addition, the Bank has consistently developed comprehensive and systematic market risk processes ranging from defining, measuring, following and controlling risks related to each transaction in the trading book. These market risk management processes cover the related and significant risk factors.

Meanwhile, the Financial Markets Group functions on managing market risks in the trading book. The Market Risk Management Department is responsible for defining risk indicators and proposing risk tolerances to be approved by the Risk Management Committee for accurately estimating and following market risks in the trading book. Types of tools and indicators are deployed such as Value at Risk (VAR), sensitivity of investment value to interest rate change of 1 basis point (PV01), and Net Open Position in Foreign Currency (NOP) to cover changes in the market. The Market Risk Management Department will report to relevant business units in case that there is a limit breach of market risk tolerances in the trading book or there is an irregularity occurring.

For capital market investing in SET equities, future derivatives and equity derivatives, important risk factors are based on equity price, liquidity and equity price volatility. Short-term investments typically have negligible market risks since there are investment strategies to reduce the market risks. However, long-term investments of PHATRA still have high market risks due to its directional/ no-hedging investment strategy. A decrease in price of securities held by the Group would negatively affect the performance and profit of the Group.

The Group is aware of the risk of such investment strategy. The Group then specifies levels of risk tolerance for each investment. The Risk Management Department of the capital market is responsible for defining standard risk tolerances such as Value at Risk and volume limit of daily transactions and alerting the relevant business units in case that the risk in the trading book exceeds the limit or there is an unexpected irregularity.

Nevertheless, the volatility of security price stems from factors which are out of the control of the Group. Although the Group has standardized market risk management process, the Group could not guarantee a depletion of significant losses. In case that the volatility of market risk factors is higher than expected, it would negatively affect the performance and economic value of the Group.

*9. The Bank has risks from poor credit quality and high credit concentration. Credit quality that is poorer than what the Bank has expected could significantly affect performance of the Bank.*

The main debtors of the Bank are small-to-medium sized companies and retail debtors. Typically, the volatility of the economy and instability in client industries would tend to affect such clients more intensively than corporate clients. As a result, the Bank would have high credit risks with a significantly volatile economy. Moreover, the Bank also has high credit concentration on clients in real estate lending. If some

key credit clients of the Bank encounter credit problems, the Bank would then have high credit risk accordingly. Consequently, the Bank has managed the credit risk due to the high credit concentration by specifying types of limit such as single lending limit and large borrower concentration limit for eliminating impacts to losses of turnover of the Bank.

As mentioned, the Bank has higher credit risks due to poorer credit quality of clients according to the status of the economy and client industries. Then, the Group has consistently developed the Bank's credit approval process to reduce the mentioned credit risks. These developments include specifying credit approval policies, issuing measures to preliminarily classify clients relative to their loan objectives, payback capability, management competencies and security collateral, as well as regularly reviewing the credit portfolio of the Bank.

For retail lending, the Bank has considerably adjusted the concentration of retail credit products. In the past year, mortgage loan, personal loan and loan for SME had quite high growth compared to the stable amount of automobile hire purchase loan. The Bank still maintains the quality in credit approval process to reduce loans with poor credit quality. In addition, the Bank has changed an approval method from asset-based lending to client profile-based lending. This allows the Bank to continuously grow with new potential clients. The Bank has also defined risk appetite and profitability analysis for each product as well as combined the behavior score (B-score) method with various retention programs to help the cross-selling process. These allow the Bank to offer quality clients a new range of credit products and increase their credit line properly.

In addition, the Bank has analyzed and managed the retail portfolio, measured and evaluated credit risks both by products and by client segments for controlling



credit risks of the Bank. The Bank has also consistently followed up all types of credit ports using the information system which helps present an analysis result in depth with proposed potential solutions to the management and relevant committees. Moreover, the Bank has developed an early indicator for credit ports to help the Bank manage risks in time. Importantly, the Bank truly focuses on risk governance process for retail clients on product program which only requires an approval of the Risk Management Committee, sub-committee or designated personnel.

Although the Bank has processes to handle credit risks and credit concentration, the Bank cannot guarantee that there will be no loss due to the poor credit quality and credit concentration. The Bank may need to spare more capital which can be also caused by a change in regulations of capital reservation of the Bank. This will significantly affect the performance and dividend yield of the Bank.

*10. Severe competitiveness from large banks and emerging business groups may negatively affect the performance of the Bank.*

The commercial banking business is more intensely competitive due to the changing behaviors of corporations in the market. Their behavior changes from relying on banks for the source of funds to raising funds directly from investors (Disintermediary) via debentures and bills of exchange. As a result, the demand for credit approval by the Bank decreases. Meanwhile, the corporate bonds, particularly ones from large companies with excellent rating and financial status, grow much larger and affect the loan growth of the Bank.

In addition, business competition from both existing financial institutes and new business groups also grow more aggressively. Large banks want to expand business into their new segments and services as well as establish a well-versed universal banking. Meanwhile, small banks still have disadvantages in competition, such as restricted economies of scale and economy of scope, which cause the product cost per unit to be

higher than that of large banks. This restricts competitiveness and product-bundling of the Bank compared to other larger commercial banks. If small banks could not respond to aggressive rivalry by offering new products and services to clients including market channels to better cover groups of clients than other competitors, the small banks would lose their market shares and their revenue and performance would then be affected in the long term.

As a part of a new business group, Fintech group, for example, runs financial business by deploying information technology to ease financial transactions to be more convenient, snappier and more economical than that of the legacy financial transactions. Fintech business is continuously and rapidly growing in both Asia and global markets and has similar trends domestically. The emerging Fintech business that has already introduced new risks to the Group includes business in electronics payments, information and knowledge services, and loan services.

Fintech business in electronics payments offers a cheaper option for clients in payments. Fintech business in information and knowledge services could be another threat by reducing business opportunities, roles, relationships and client loyalty of the Group. In addition, ones offering a new set of loan services could provide a peer-to-peer matchup between borrowers and lenders with fees cheaper than that of legacy loan services. These groups of Fintech business may cause the Group to lose clients and directly affect the turnover of the Group based on the reduced revenue from loan services.

Based on the mentioned impact from both existing players and new business groups, the Group plans to focus on improving quality of products and services offered to clients. Furthermore, the Group has studied on impact of the new types of business and choices of changing business roles in Fintech as a seeder, a capital venture, a business partner, a business merger or a subsidiary establishing. Although the Group has prepared for the emerging impacts, the mentioned risk factors are uncontrollable and hard to anticipate, for instance, changing market share, incomplete regulations for new business and preferred trends of financial

transactions. These incorrect anticipations would affect the performance of the Group.

*11. The Group may be affected by reputation risk.*

Reputation is currently of significance to businesses, especially in the financial services industry where competition is high. The maintenance and building of a good reputation will lead to an increase in client base and better client retention ability. These could have a positive effect on performance and financial status. Conversely, reputation loss could negatively impact the Group in the long run. Therefore, the Group makes best effort to maintain its good reputation and prepare measures to prevent and reverse situations which could affect the Group's reputation. These measures include setting guidelines for business conduct and social-conscious business for a sustainable business operation, and staff training for operation that is efficient and satisfactory to clients and partners. However, the Group is not able to guarantee that the full implementation of these measures will be able to prevent and reverse situations affecting reputation.

*12. The Group may be affected by incapability to manage and maintain key personnel as expected.*

The Group's business depends on experience, knowledge, and expertise of personnel including credit analysts, marketing personnel, relationship managers, compliance personnel and high management. For the Group to retain its quality personnel, the Board of Directors has established employee treatment guidelines in writing. Such guidelines emphasize an appropriate system of employee benefit, training to encourage development of personnel, equal and fair treatment to all employees, development of a pleasant organization, and prioritization of hygiene and workplace safety, healthcare, annual health check and accident insurance for employees.

Regardless of the success of the above measures, the Group may not be able to retain key employees. It also cannot guarantee to sufficiently recruit talent to

the Group. This could affect business continuity, financial statement and performance of the Group.

*13. Profit from the special asset management business may decrease or deplete in the future.*

The Group operates the special asset management business through the Bank and mutual funds which are subsidiaries of the Bank. The Bank has started its asset management business in 1999 from auctioning financial claims of financial institutions from the Financial Sector Restructuring Authority. During 2003-2006 the Bank auctioned debt under lawsuit from the Legal Execution Department. In 2010, the Bank had bought investment units in the Gamma Capital Mutual Fund and Bangkok Capital Mutual Fund, which has similar operations to the Bank's other mutual funds. In 2016, the Bank profited from its special asset management business in the amount of Baht 1,663 million, amounting to 28.89% of the Group's comprehensive income.

However, the Group has been operating the special asset management business for a particular period of time. Currently, the Group's investment funds have been terminated and the assets under management remain approximately Baht 7,789 million. Due to the depleting assets under management and a low opportunity under the current economy, the Bank cannot guarantee to continually receive revenue from the special asset management business. The Bank has continuously implemented new business expansion plans for generating the new revenue schemes.



## General Information

<b>Name of Company</b>	Kiatnakin Bank Public Company Limited
<b>Stock Ticker</b>	"KKP"
<b>Type of Business</b>	Commercial banking business, capital market business and other related businesses under the Financial Institution Business Act, Securities and Exchange Act and other related regulations
<b>Number of Shares</b>	846,751,109 ordinary shares and none of preferred share, with par value of Baht 10 per share (As of December 31, 2016)
<b>Authorized Share Capital</b>	Baht 8,467,511,090
<b>Issued and Fully Paid-up Share Capital</b>	Baht 8,467,511,090 (As of December 31, 2016)
<b>Address</b>	500 Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330
<b>Company Registration Number</b>	0107536000986
<b>Telephone</b>	0-2165-5555
<b>Fax</b>	0-2256-9933
<b>Website</b>	www.kiatnakinphatra.com
<b>Names, Offices, Telephone and Fax Numbers of Referenced Entities</b>	
<b>Registrar – Ordinary Share</b>	<b>Thailand Securities Depository Company Limited</b> Stock Exchange of Thailand Building, 93 Rachadapisek Road, Din Daeng, Bangkok 10400 Tel: 0-2009-9000 Fax: 0-2009-9991
<b>Authorized Auditor</b>	<b>: Mrs. Unakorn Phruithithada</b> Certified Public Accountant (Thailand) Registration No. 3257 PricewaterhouseCoopers ABAS Ltd. ("PwC") 15 <sup>th</sup> Floor, Bangkok City Tower, 179/74-80 South Sathorn Road, Sathorn, Bangkok 10120 Tel: 0-2344-1000 Fax: 0-2286-5050
<b>Legal Advisor</b>	<b>: Not Appointed</b>
<b>Advisor/ Manager under Management Contract</b>	<b>: Not Appointed</b>

## The Bank holds over 10.00% shares in the following juristic persons.

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, Muang Thai-Phatra Office Tower 1, 252/6 Ratchadapisek Road, Huaykwang, Bangkok 10310 Tel: 0-2305-9000 Fax: 0-2693-2535	Holding Company and Investment	210,310,240.00	99.98
2. Phatra Securities Public Company Limited 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 10310 Tel. 0-2275-0888, 0-2693-2000 Fax. 0-2305-9535	Securities	213,500,000.00	99.95*
3. Phatra Asset Management Company Limited 19 <sup>th</sup> Floor, Muang Thai-Phatra Complex Building A, 252/25 Ratchadapisek Road, Huaykwang, Bangkok 10310 Tel: 0-2305-9800 Fax: 0-2305-9803	Asset Management	12,000,000.00	99.97*
4. Phatra Asset Management (Cayman) Limited c/o Maples Corporate Services Limited PO Box 309, Ugland House Grand Cayman KY1-1104, Cayman Islands	Asset Management	1.00	99.98*
5. Erawan Law Office Company Limited 12 <sup>th</sup> Floor, KKP Tower B, 209/1 Sukhumvit 21 Road, KhlongToey-Nua, Wattana, Bangkok 10110 Tel: 0-2664-0424 Fax: 0-2664-0980	Law Office	10,000.00	99.96
6. CMIC Development Company Limited 10 <sup>th</sup> Floor, KKP Tower, 209/1 Sukhumvit 21 Road, KhlongToey-Nua, Wattana, Bangkok 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 10500 Tel: 0-2266-3060 Fax: 0-2266-3067	Leasing	600,000.00	10.00
8. Asia Recovery 1 Fund Phatra Asset Management Company Limited 19 <sup>th</sup> Floor, Muang Thai-Phatra Complex Building A, 252/25 Ratchadapisek Road, Huaykwang, Bangkok 10310 Tel: 0-2305-9800 Fax: 0-2305-9803	Investment	21,665,778.5942	99.95



Juristic Person Name/ Address	Type of Business	Number of Fully Paid-up Shares (Shares)	Percentage of Ownership (%)
9. Asia Recovery 2 Fund Phatra Asset Management Company Limited 19 <sup>th</sup> Floor, Muang Thai-Phatra Complex Building A, 252/25 Ratchadapisek Road, Huaykwang, Bangkok 10310 Tel: 0-2305-9800 Fax: 0-2305-9803	Investment	78,683,161.1474	99.59
10. Asia Recovery 3 Fund Phatra Asset Management Company Limited 19 <sup>th</sup> Floor, Muang Thai-Phatra Complex Building A, 252/25 Ratchadapisek Road, Huaykwang, Bangkok 10310 Tel: 0-2305-9800 Fax: 0-2305-9803	Investment	77,595,895.6819	99.97
11. Thai Restructuring Fund Phatra Asset Management Company Limited 19 <sup>th</sup> Floor, Muang Thai-Phatra Complex Building A, 252/25 Ratchadapisek Road, Huaykwang, Bangkok 10310 Tel: 0-2305-9800 Fax: 0-2305-9803	Investment	68,263,486.3132	98.91
12. Bangkok Capital Fund Phatra Asset Management Company Limited 19 <sup>th</sup> Floor, Muang Thai-Phatra Complex Building A, 252/25 Ratchadapisek Road, Huaykwang, Bangkok 10310 Tel: 0-2305-9800 Fax: 0-2305-9803	Investment	34,388,611.8195	95.72
13. Gamma Capital Fund Phatra Asset Management Company Limited 19 <sup>th</sup> Floor, Muang Thai-Phatra Complex Building A, 252/25 Ratchadapisek Road, Huaykwang, Bangkok 10310 Tel: 0-2305-9800 Fax: 0-2305-9803	Investment	27,020,796.4744	94.03
14. RAYONGRUNG Company Limited 47/11 Rat Bamrung Road, Noen Phra, Muang, Rayong 21000	Buying and selling of own account of non-residential buildings	575,000	25.00

\* Indirectly holding via Phatra Capital Public Company Limited



## Securities and Shareholders Information

### Registered and Paid-up capital

1. The Bank's ordinary shares are listed on the SET under the stock ticker "KKP". As of December 31, 2016, the total paid-up share capital is 846,751,109 ordinary shares (of Baht 10 each).

- Total authorized share capital Baht 8,467,511,090
- Total issued and fully paid-up share capital Baht 8,467,511,090

2. As of December 31, 2016, no preferred share was issued by the Bank.

### Shareholders

1. Major Shareholders

The top ten major shareholders of the Bank based on the share register book closing date on September 9, 2016 to determine the list of shareholders entitled to receive dividend are as follows.

No.	Name of Shareholder	Type of Shareholder	Number of Shares (Shares)	Shareholding (%)
1.	Thai NVDR Co., Ltd.	Thai juristic person	84,291,658	9.95
2.	Credit Suisse AG, Hong Kong Branch <sup>1</sup>	Foreign juristic person	71,618,397	8.46
3.	Chase Nominees Limited	Foreign juristic person	57,111,065	6.74
4.	Ms.Thitinan Wattanavekin	Thai ordinary person	35,532,761	4.20
5.	Eastern Sugar Co., Ltd. <sup>2</sup>	Thai juristic person	35,000,804	4.13
6.	Ramkamhaeng Hospital Public Company Limited	Thai juristic person	34,867,143	4.12
7.	Nortrust Nominees Limited-NTGS CL AC	Foreign juristic person	33,900,000	4.00
8.	Mrs.Vansamorn Wannamethee	Thai ordinary person	28,252,203	3.34
9.	Chodthanawat Co., Ltd.	Thai Juristic person	20,693,600	2.44
10.	Ms.Yapha Thepkanchana	Thai ordinary person	17,199,900	2.03
Total top ten major shareholders			418,467,531	49.42
Others			428,283,578	50.58
<b>Total</b>			<b>846,751,109</b>	<b>100.00</b>



Shareholder Classified by Nationality	Number of Shares (Shares)	Shareholding (%)
Thai Shareholders	555,003,383	65.55
Foreign Shareholders	291,747,726	34.45

**Remark:** <sup>/1</sup> The shareholding of Credit Suisse AG, Hong Kong Branch was for Ruamphon Phatra International Corp. (RPIC), which operates business as a holding company. At the end of 2016, RPIC's principal shareholders were as follows:

No.	Name of Shareholder	Number of Shares (Shares)	Shareholding (%)
1.	Mr.Banyong Pongpanich	1,400	6.77
2.	Mr.Aphinant Klewpatinond	1,400	6.77
3.	Mr.Suvit Mapaisansin	1,000	4.84
4.	Dr.Supavud Saicheua	1,000	4.84
5.	Mrs.Patchanee Limapichat	1,000	4.84
6.	Mr.Krittiya Veeraburus	1,000	4.84
7.	Mr.Norachet Sangruji	800	3.87
8.	Mrs.Patraporn Milindasuta	800	3.87
9.	Mr.Trairak Tengtrirat	800	3.87
10.	Mr.Therapong Vachirapong	600	2.90
11.	Others	10,880	52.61
<b>Total</b>		<b>20,680</b>	<b>100.00</b>

<sup>/2</sup> Eastern Sugar Co., Ltd. has Khunying Nattika Wattanavekin and Mr.Sukkarn Wattanavekin, holding 12.95% and 26.60% of the total company shares respectively, as primary shareholders. They held 0.24% and 1.81% of the ordinary shares of the Bank respectively.

2. Agreement between major shareholders affects the issuance and offering of securities as well as obligation to issue new shares in the future:

-No-

## Other Types of Securities

1. Debentures

As of December 31, 2016, the outstanding of short-term and long-term debentures totaled Baht 52,858.00 million. Details are as follows:

- Outstanding of unsubordinated and unsecured short-term debentures (not exceeding 270 days): Baht 35,403.00 million

Symbol	Amount (Baht Million)	Issue Date	Maturity Date	Tenor (Month)	Coupon (p.a.) (% p.a.)
KK17104A	170.00	30/06/2016	04/01/2017	6	1.60
KK17105A	15.00	04/07/2016	05/01/2017	6	1.60
KK17112A	300.00	11/07/2016	12/01/2017	6	1.60
KK17201A	100.00	01/08/2016	01/02/2017	6	1.63
KK17202A	2,000.00	01/08/2016	02/02/2017	6	1.63
KK17203A	400.00	02/08/2016	03/02/2017	6	1.63
KK17203B	300.00	03/08/2016	03/02/2017	6	1.63
KK17203C	25.00	03/08/2016	03/02/2017	6	1.63
KK17209A	510.00	08/08/2016	9/02/2017	6	1.63
KK17207A	500.00	09/08/2016	07/02/2017	6	1.63
KK17210A	550.00	10/08/2016	10/02/2017	6	1.63
KK17215A	300.00	15/08/2016	15/02/2017	6	1.63
KK17105B	500.00	05/09/2016	05/01/2017	4	1.62
KK17110A	500.00	06/09/2016	10/01/2017	4	1.62
KK17110B	300.00	07/09/2016	10/01/2017	4	1.62
KK17110C	20.00	08/09/2016	10/01/2017	4	1.62
KK17301A	25.00	06/09/2016	1/03/2017	6	1.62
KK17105C	1,000.00	28/09/2016	5/01/2017	3	1.64
KK17315A	205.00	27/09/2016	15/03/2017	6	1.64
KK17118A	195.00	27/09/2016	18/01/2017	3	1.64
KK17110D	300.00	04/10/2016	10/01/2017	3	1.64
KK17404A	500.00	05/10/2016	04/04/2017	6	1.66
KK17405A	400.00	05/10/2016	05/04/2017	6	1.66
KK17403A	500.00	03/10/2016	03/04/2017	6	1.66
KK17407A	1,000.00	07/10/2016	07/04/2017	6	1.66
KK17420A	500.00	12/10/2016	20/04/2017	6	1.66
KK17106A	300.00	06/10/2016	06/01/2017	3	1.64
KK17109A	400.00	07/10/2016	09/01/2017	3	1.64
KK17410A	700.00	06/10/2016	10/04/2017	6	1.66
KK17411A	2,000.00	10/10/2016	11/04/2017	6	1.69



Symbol	Amount (Baht Million)	Issue Date	Maturity Date	Tenor (Month)	Coupon (p.a.) (% p.a.)
KK17110E	50.00	10/10/2016	10/01/2017	3	1.64
KK17410B	50.00	10/10/2016	10/04/2017	6	1.66
KK17125A	50.00	19/10/2016	25/01/2017	3	1.64
KK17420B	21.00	20/10/2016	20/04/2017	6	1.66
KK17119A	95.00	19/10/2016	19/01/2017	3	1.64
KK17120A	105.00	20/10/2016	20/01/2017	3	1.64
KK17118B	40.00	21/10/2016	18/01/2017	3	1.64
KK17119B	400.00	26/10/2016	19/01/2017	3	1.64
KK17120B	2,100.00	25/10/2016	20/01/2017	3	1.64
KK17126A	280.00	26/10/2016	26/01/2017	3	1.64
KK17427A	200.00	27/10/2016	27/04/2017	6	1.66
KK17131A	120.00	31/10/2016	31/01/2017	3	1.64
KK17127A	380.00	31/10/2016	27/01/2017	3	1.64
KK17209B	180.00	09/11/2016	09/02/2017	3	1.63
KK17209C	120.00	10/11/2016	09/02/2017	3	1.63
KK17524A	30.00	22/11/2016	24/05/2017	6	1.68
KK17316A	500.00	24/11/2016	16/03/2017	4	1.68
KK17323A	2,400.00	25/11/2016	23/03/2017	4	1.68
KK17524B	200.00	29/11/2016	24/05/2017	6	1.68
KK17524C	100.00	02/12/2016	24/05/2017	6	1.68
KK17504A	1,000.00	06/12/2016	04/05/2017	5	1.72
KK17509A	500.00	09/12/2016	09/05/2017	5	1.72
KK17427B	500.00	06/12/2016	27/04/2017	5	1.72
KK17502A	500.00	08/12/2016	02/05/2017	5	1.72
KK17309A	7.00	09/12/2016	09/03/2017	3	1.75
KK17313A	270.00	13/12/2016	13/03/2017	3	1.80
KK17316B	80.00	16/12/2016	16/03/2017	3	1.80
KK17628A	100.00	28/12/2016	28/06/2017	6	1.86
KK17629A	700.00	29/12/2016	29/06/2017	6	1.86
KK17630A	1,000.00	30/12/2016	30/06/2017	6	1.86

Symbol	Amount (Baht Million)	Issue Date	Maturity Date	Tenor (Month)	Coupon (p.a.) (% p.a.)
KK17703A	1,200.00	30/12/2016	03/07/2017	6	1.86
KK17621A	2,000.00	21/12/2016	21/06/2017	6	1.86
KK17627A	1,000.00	27/12/2016	27/06/2017	6	1.86
KK17411B	280.00	13/12/2016	11/04/2017	4	1.84
KK17418A	170.00	16/12/2016	18/04/2017	4	1.84
KK17420C	250.00	20/12/2016	20/04/2017	4	1.84
KK17425A	450.00	22/12/2016	25/04/2017	4	1.84
KK17427D	442.00	23/12/2016	27/04/2017	4	1.84
KK17316C	200.00	19/12/2016	16/03/2017	3	1.80
KK17427C	358.00	30/12/2016	27/04/2017	4	1.84
KK17321A	500.00	23/12/2016	21/03/2017	3	1.80
KK17328A	100.00	26/12/2016	28/03/2017	3	1.80
KK17621B	150.00	20/12/2016	21/06/2017	6	1.86
KK17622A	250.00	27/12/2016	22/06/2017	6	1.86
KK17622B	30.00	28/12/2016	22/06/2017	6	1.86
KK17420D	730.00	29/12/2016	20/04/2017	4	1.84
KK17707A	600.00	28/12/2016	07/07/2017	6	1.86
KK17623A	100.00	29/12/2016	23/06/2017	6	1.86
<b>Total</b>	<b>35,403.00</b>				

- Outstanding of unsubordinated, unsecured, no convertible and no representative structured debentures and/ or debentures having obligations imposed on debentureholders programme: Baht 310.00 million

Symbol	Amount (Baht Million)	Issue Date	Maturity Date	Tenor (Day)	Coupon Rate (% p.a.)
KK17120C	50.00	02/12/2016	20/01/2017	49	1.50
KK17203D	20.00	06/12/2016	03/02/2017	59	1.50
KK17307A	20.00	06/12/2016	07/03/2017	91	1.50
KK173A	220.00	29/06/2016	29/03/2017	273	1.75
<b>Total</b>	<b>310.00</b>				

- Outstanding of unsubordinated and unsecured long-term debentures: Baht 11,145.00 million

Symbol	Amount (Baht Million)	Issue Date	Maturity Date	Tenor (Year)	Coupon Rate (% p.a.)
KK186A	650.00	01/06/2011	01/06/2018	7	4.62
KK187A	240.00	22/07/2011	22/07/2018	7	5.00
KK188A	500.00	23/08/2011	23/08/2018	7	4.80
KK18DA	625.00	02/12/2011	02/12/2018	7	5.10
KK18DB	10.00	07/12/2011	07/12/2018	7	5.05
KK174A	500.00	28/08/2013	05/04/2017	3.6	4.05
KK179A	330.00	12/09/2013	20/09/2017	4	4.45
KK172A	4,000.00	20/02/2014	20/02/2017	3	3.78
KK172B	1,000.00	27/02/2014	27/02/2017	3	3.78
KK174B	900.00	03/04/2014	03/04/2017	3	3.60
KK175A	560.00	07/05/2014	16/05/2017	3	3.54
KK178A	60.00	21/08/2014	22/08/2017	3	3.33
KK183A	270.00	27/08/2014	19/03/2018	3.6	3.52
KK17NA	1,500.00	27/11/2015	27/11/2017	2	2.10
<b>Total</b>	<b>11,145.00</b>				

- Outstanding of subordinated, unsecured and no representative intended to qualify as tier 2 capital debentures:  
Baht 6,000.00 million

Symbol	Amount (Baht Million)	Issue Date	Maturity Date	Tenor (Year)	Coupon Rate (% p.a.)
KK25DA	3,000.00	23/12/2015	23/12/2025	10	5.10
KK262A	1,500.00	25/02/2016	25/02/2026	10	4.75
KK268A	1,500.00	30/08/2016	30/08/2026	10	3.80
<b>Total</b>	<b>6,000.00</b>				

## 2. Warrants

-No-

## Dividend Policy

The Bank has a policy to pay dividend not exceeding 60% of net profit from the annual consolidated financial statement. Payout of dividend must be approved by the shareholders' meeting. An interim dividend can also be paid if the Bank's profit is sufficient to do so and such payment shall be reported in the next General Meeting of Shareholders.

In considering the dividend payment, the Bank shall take into account these aspects: the Bank's performance, 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 such a given dividend payment.

In addition, dividend payment will be made at a rate that would not lower the capital adequacy ratio below the minimum capital requirement as specified in the Bank's risk appetite statement.

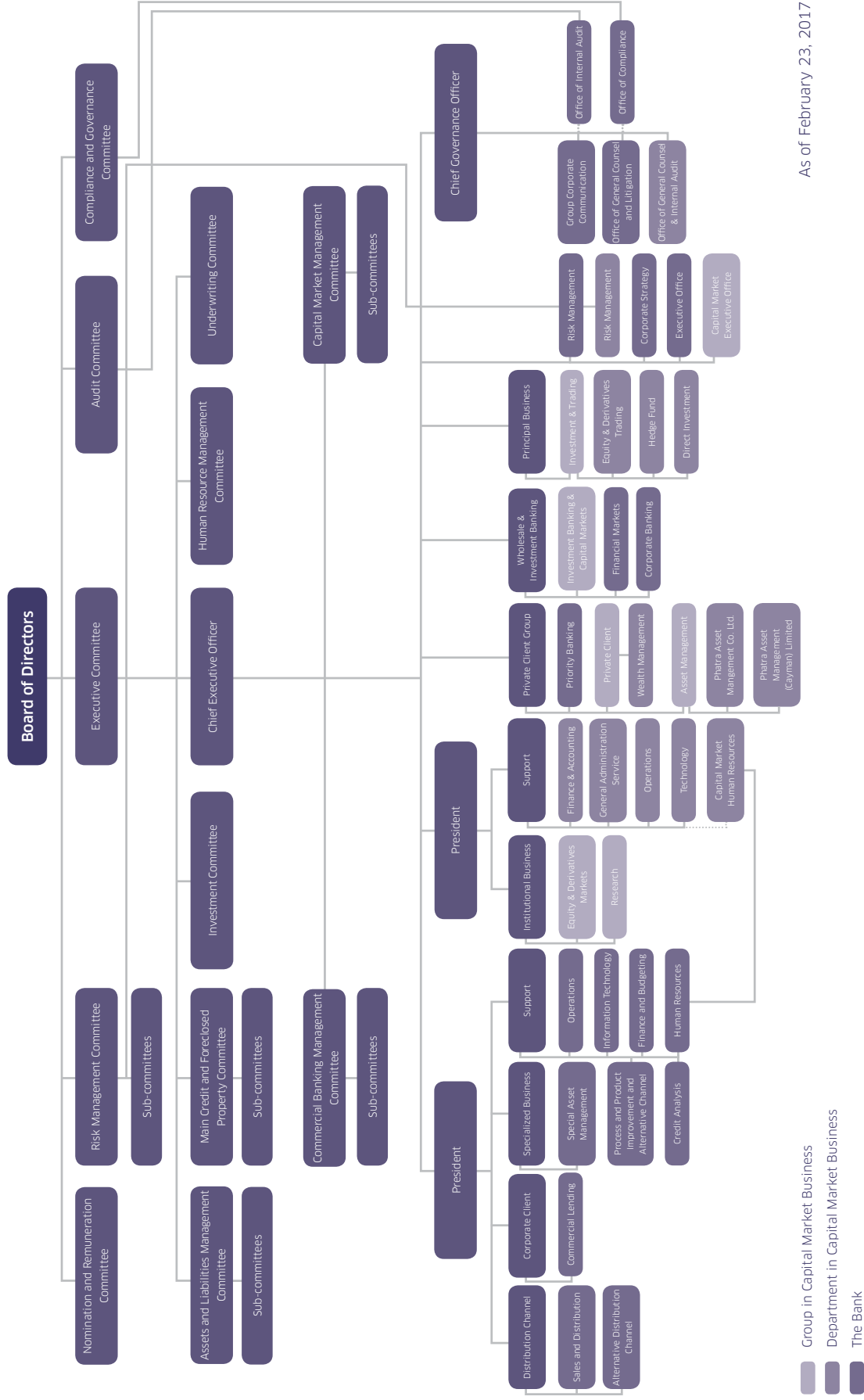
The Bank has not set the dividend payout ratio for its subsidiaries, however the dividend payment of the Bank's subsidiaries shall be approved by the shareholders' meeting of each company or the Board of Directors of each company in case of an interim dividend, and must also comply with the Company's Articles of Association and applicable laws. The dividend payment of subsidiaries depends importantly on each company's business performance and plans.

Dividend payments for the past five years were as follows:

	2011	2012	2013	2014	2015*
Earnings per share (Baht) (As from Consolidated Financial Statement)	4.52	4.88	5.29	3.25	3.92
Dividend per Share (Baht)	2.40	2.40	2.65	1.85	3.00
Dividend Payout Ratio (%)	53.10	49.18	50.09	56.92	76.53

\* The dividend payout ratio of exceeding 60% of net profit from the annual consolidated financial statement in 2015 was in accordance with the capital restructuring plan aiming to effectively manage its capital fund.





As of February 23, 2017

## Management Structure

The management structure of the Bank consists of six committees, which are the 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, 2016 are as follows:

### Board of Directors

As the representative of shareholders, the Board of Directors has roles, duties and responsibilities to conduct the business with integrity to achieve stability and good return. The Board of Directors should refrain from having any conflict of interest. The scope of authorities and duties of the Board of Directors are as follows:

1. Determine business direction and establish overall strategic goal of the Bank. The Board shall consider and approve the Bank's policies, proposed by the Executive Committee, including those policies that are required by laws and regulators. In order to protect the benefits of the Bank and its shareholders, the Board of Directors shall oversee and monitor the implementation of those policies through the Executive Committee and ensure that they are carried out efficiently and effectively.
2. Ensure that the Bank's Guidelines for Business Conduct, including business ethics, ethics for directors, controlling persons and employees, are in place. These principles are to be adopted as practice guidelines for management and employees in the organization.
3. Oversee and monitor the committees and ensure that necessary corporate governance systems are established in compliance with laws and regulations. The systems shall be appropriate to the Bank's activities. The Board of Directors shall monitor and evaluate the effectiveness of the corporate governance system and provide feedback to management to help improve the systems.
4. Define an appropriate risk appetite level for the Bank's business operation, monitor the business to be operated within such specified risk appetite level, and ensure that the Bank, through the Risk Management Committee, establishes policies, procedures and controls relating to risk management. These policies, procedures and controls, at the minimum, shall include the credit risk, market risk, investment risk, liquidity risk, operational risk, reputational risk, legal risk, and strategic risk. The Board of Directors shall approve the policies and regularly review and monitor the execution of these policies.
5. Ensure that the Bank has effective internal control and audit systems in place.
6. Oversee that the check and balance of power between the management and/ or major shareholders is suitable. This should be done with the emphasis on creating a good proportion of independent directors among the Board members.
7. Appoint and specify roles and duties of committees as appropriate to support its oversight responsibility, such as the Audit Committee, Nomination and Remuneration Committee, Risk Management Committee, Compliance and Governance Committee and Executive Committee.
8. Ensure that the management inform and update the Board of Directors on any important matters so that the Board of Directors has sufficient information to be able to perform its roles and carry out its duties and responsibilities efficiently.
9. Approve the Bank's annual financial reports, which are audited by the external auditor and reviewed by the Executive Committee and Audit Committee, prior to proposing to the shareholders' meeting for approval. In addition, the Board of Directors shall receive recommendations through the Management Letter provided by the



external auditors and recommendations provided by the Executive Committee.

10. Define policy for risk assessment and capital adequacy, strategy and guideline to maintain the Bank's capital and stress test policy which is in line with the Bank's transactions and material risks.
11. Appoint and establish a scope and authority of executive officers, starting from the Executive Vice President level and higher.
12. Ensure that the Bank has in place its policies on loans and investment with related parties.
13. Review and approve through committees the management's proposal relating to the authorization on lending, investments, commitments or any transactions with loan-like characteristics, as well as purchasing and management expenditures. This is for the benefits of the Bank and in compliance with related laws and regulations.
14. Encourage directors to have at least 75% attendance of all the meetings held in a year.

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

Number of the board meetings should be consistent with the duties and responsibilities of the Board of Directors and not less than six times per year. The quorum of the Board of Directors' meetings consists of at least two-thirds of the members of the Board. The meeting resolution is passed by a majority vote of the directors attending the meeting. The Chairman of the Board does not have a casting vote.

#### *Matters under the Authority of the Board of Directors of the Bank*

The Board of Directors of the Bank has responsibility in administration of all activities of the Bank and is empowered to proceed under the provision of law, the Bank's Articles of Association and resolution of the shareholders' meeting. These matters, which are under the authority of the Bank's Board of Directors, consist of the following:

1. To determine business direction and overall strategic goal of the Bank.
2. To approve the Bank's business plan and annual budget proposed by the Executive Committee.
3. To review and approve the Bank's policies as required by laws or regulatory agencies including the main policies for operating businesses, for example, the overall risk management policy for the Bank and companies in the Group, the credit policy, etc.
4. To approve the Principles of Corporate Governance and Guidelines for Business Conduct for the Bank and companies in the Group proposed by the Compliance and Governance Committee.
5. To appoint, remove and delegate authority and duty to the committees under the supervision of the Bank's Board of Directors including the executive officers from the Executive Vice President level and higher.
6. To approve the remuneration and other benefits for the Chairman of the Group Business and higher.
7. To appoint and remove the Company Secretary.
8. To approve the payment and omission of the interim dividend for shareholders.
9. To propose an increase or reduction in capital or change of share value, and the amendment or alteration of the Memorandum of Association, Articles of Association and/ or objectives of the Bank to shareholders.
10. To approve or cancel loans, credit guarantees, credit limits in excess of the Executive Committee's authorized limit.
11. To approve the grant of loan or credit guarantees for companies having business relationships with the Bank as shareholders.
12. To approve the incorporation, merger or termination of subsidiary companies.
13. To approve the modification, demolition and writing off of fixed assets and intangible assets, which are decommissioned, out of order, lost, damaged, deteriorated or outdated and no longer usable, with book values exceeding the

Executive Committee's authorized limit.

14. To sell or mortgage any immovable property of the Bank or any rental of immovable property of the Bank for the period exceeding three years.

15. To approve the acquisition or disposal of assets and connected transactions in accordance with Notifications of the Capital Markets Supervision Committee.

#### Board Members

The Bank's Board of Directors is comprised of twelve members. These include five independent directors, four non-executive directors and three executive directors, as follows:

1.	Mr.Supol	Wattanavekin	Chairman/ Non-executive Director
2.	Assoc.Prof.Manop	Bongsadadt	Independent Director
3.	Mr.Chet	Pattrakornkul	Independent Director
4.	Mr.Pongtep	Polanun	Independent Director
5.	Mrs.Dayana	Bunnag	Independent Director
6.	Mr.Veravat <sup>1</sup>	Chutichetpong	Independent Director
7.	Mr.Tanin	Chirasoonton	Non-Executive Director
8.	Mr.Suraphol	Kulsiri	Non-Executive Director
9.	Mr.Suvit	Mapaisansin	Non-Executive Director
10.	Mr.Banyong <sup>2</sup>	Pongpanich	Executive Director
11.	Mr.Aphinant	Klewpatinond	Executive Director
12.	Ms.Thitinan <sup>2</sup>	Wattanavekin	Executive Director
	Ms.Porntip	Chuprakhun	Corporate Secretary

**Remark:** <sup>1</sup> Mr.Veravat Chutichetpong has been appointed as an independent director of the Bank effective from November 30, 2016, replacing Mr.Krittiya Veeraburus, who resigned from the director post effective from November 9, 2016.

<sup>2</sup> Mr.Banyong Pongpanich and Ms.Thitinan Wattanavekin are members of the Executive Committee but they are not employees of the Bank and companies in the Group.

#### Authorized Directors

The authorized directors of the Bank, who can sign and bind the Bank, are any two of the following five directors, provided that they jointly sign with the Bank's seal affixed: Mr.Banyong Pongpanich, Mr.Suraphol Kulsiri, Mr.Suvit Mapaisansin, Ms.Thitinan Wattanavekin and Mr.Aphinant Klewpatinond.

## Audit Committee

The Audit Committee has roles, duties and responsibilities as assigned by the Board of Directors as follows:

1. Review the Bank's financial reporting to ensure its accuracy and adequacy and receive the information of improper transaction in financial statements or other issues from the Bank's employee.
2. Review and evaluate the Bank's internal control and internal audit systems to ensure that they

are suitable and efficient, determine the internal audit unit's independence, as well as approve the appointment, transfer and dismissal of the chief of the internal audit unit or any other unit in charge of an internal audit.

3. Consider, select and nominate an independent person to be the Bank's auditor, propose remuneration for the auditor, as well as attend a non-management meeting with the auditor at least once a year.



4. Consider the Bank's policy on non-audit services of the auditor and review such service to ensure that it does not interfere with the auditor's independency.
5. Consider and disclose the connected transactions or the transactions that may lead to conflict of interest to ensure that they are in compliance with the laws and the SET's regulations, and are reasonable and for the highest benefit of the Bank.
6. Prepare and disclose in the Bank's annual report, an Audit Committee's report, which must be signed by the Audit Committee's Chairman and consisted 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 SET's regulations or the laws relating to the Bank's businesses;
  - (d) an opinion on the suitability of the auditor;
  - (e) an opinion on the transactions that may lead to conflict of interest;
  - (f) the number of the Audit Committee's 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. Report to the Bank's Board of Directors in order that remedial action be 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 SET'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 rectify the matter within the period specified by the Audit Committee, the Audit Committee shall disclose such transaction or act in the annual report and report to the Bank of Thailand, the SEC or the SET accordingly.
8. Investigate immediately when receiving information of suspected misconduct from the auditor and report the preliminary investigation result to the SEC and auditor within thirty days from the notification date.
9. Inspect or 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.
10. If necessary, the Audit Committee may invite the management or any relevant person(s) to join the meeting to give additional information related to the matter being audited.
11. Review risk management measures and systems along with the management's risk report on risk factors and improvement in order to be in accordance with the specified risk policy, strategy and management plan.
12. Perform any other act as assigned by the Bank's Board of Directors and accepted by the Audit Committee.
13. Perform any other act as the law prescribes on the authority of the Audit Committee.
14. Report the committee's performance to the Bank's Board of Directors at least every quarter.

The Audit Committee shall meet at least once every quarter or as it deems appropriate. The quorum of the Audit committee's meetings consists of not less than half of the Audit Committee's members. The meeting resolution is passed by a majority vote of the committee members attending the meeting. The Audit Committee may adopt a resolution without holding a meeting if all committee members sign their names on a copy of text of such resolution and such resolution shall be in same force and effective as if it had been adopted at a duly convened meeting of the Audit Committee. The Chairman of the Audit Committee has a casting vote.

The Audit Committee consists of three members who are independent directors as follows:

1. Mrs.Dayana	Bunnag	Chairwoman of the Audit Committee
2. Assoc.Prof. Manop	Bongsadadt	Member of the Audit Committee
3. Mr.Chet	Pattrakornkul	Member of the Audit Committee
Dr.Narong	Predanan	Secretary of the Audit Committee

Mrs.Dayana Bunnag, Chairwoman of the Audit Committee, has knowledge and experience to be able to review the credibility of the financial reports. Her profile is as described in the Profiles of the Directors, Executives and Controlling Persons section.

## Nomination and Remuneration Committee

The Nomination and Remuneration Committee has roles, duties and responsibilities as assigned by the Board of Directors as follows:

1. Establish policy, criteria and process in nominating directors and executives from the Executive Vice President level and higher in order to propose to the Bank's Board of Directors, as well as select and propose qualified persons to be the Board of Directors' members, members of sub-committees directly reporting to the Board of Directors, and executives for the Board of Directors' consideration.
2. Consider the size and composition of the Board of Directors that is appropriate to the Bank and the changing circumstances. Generally, the Board of Directors shall consist of qualified individuals with knowledge, capabilities and experience from diverse areas.
3. Ensure that board members and executive officers receive remuneration and benefits that are commensurate to their duties and responsibilities.
4. Consider the remuneration and other benefits for the Board members, and CEO prior to proposing to the Board of Directors. In addition, the committee shall establish the payment policy of the remuneration and other benefits for the executives from the Executive Vice President level and higher in order to be the guideline for consideration by the Human Resource Management Committee.
5. Establish guidelines for performance evaluation of the Board members and CEO for proposing to the Board of Directors' consideration. The committee shall also establish guidelines for performance evaluation of the executives from the Executive Vice President level and higher for the Human Resources Management Committee. These guidelines will assist the Human Resources Management Committee in considering an annual remuneration by taking into account the roles and responsibilities, related risks, and the increasing value of shareholders' proportion in the long term.
6. Disclose the remuneration policy and various forms of benefits, as well as prepare the committee's report in the Bank's annual report.



7. Ensure that the Bank has a succession plan for executives from the Executive Vice President level and higher in place.

8. Report the committee's performance to the Board of Directors at least once a year.

The Nomination and Remuneration Committee shall meet at least twice a year or as it deems appropriate. The quorum of the Nomination and Remuneration Committee's meetings consists of not less than half of the Nomination and Remuneration Committee's members. The meeting resolution is passed by a majority vote of the committee's member attending the meeting. The Nomination and Remuneration Committee may adopt a resolution without holding a meeting if all committee members sign their names on a copy of text of such resolution and such resolution shall be in same force and effective as if it has been adopted at a duly convened meeting of the Nomination and Remuneration Committee. The Chairman of the Nomination and Remuneration Committee has a casting vote.

The Nomination and Remuneration Committee consists of three members who are independent directors as follows:

1. Assoc.Prof. Manop	Bongsadatt	Chairman of the Nomination and Remuneration Committee
2. Mr.Chet	Pattrakornkul	Member of the Nomination and Remuneration Committee
3. Mr.Suvit	Mapaisansin	Member of the Nomination and Remuneration Committee

## Compliance and Governance Committee

The Compliance and Governance Committee has roles, duties and responsibilities as assigned by the Board of Directors as follows:

1. Through the Office of Compliance, oversee that the Bank and companies in the Group conduct businesses in compliance with laws, regulations, rules, standards, ethics, corporate governance principles and compliance policy.
2. Ensure that the Bank has an efficient and independent compliance system and corporate governance practice.
3. Approve the Annual Compliance Plan of the Office of Compliance and monitor performance of the Office of Compliance to ensure that it completes tasks and achieves targets according to the plan.
4. Provide an opinion on the Annual Compliance Report, which shall be reviewed and approved

by the Board of Directors prior to its submission to a regulatory agency.

5. Develop Guidelines for Business Conduct to be used as a performance framework for the Board members, executives and employees of the Bank and companies in the Group and propose to the Board of Directors for consideration.
6. Regularly review the Bank's Corporate Governance Principles and its compliance with the international standards and suggestions of regulators and recommend the development of the Bank's Corporate Governance Principles to the Board of Directors for approval.
7. Approve the appointment, transfer and performance evaluation of the Head of the Office of Compliance.
8. Report the committee's performance to the Board of Directors at least twice a year.

The Compliance and Governance Committee shall meet at least once every quarter or as it deems appropriate. The quorum of the Compliance and Governance Committee's meetings consists of not less than half of the Compliance and Governance Committee's members. The meeting resolution is passed by a majority vote of the committee



members attending the meeting. The Compliance and Governance Committee may adopt a resolution without holding a meeting if all committee members sign their names on a copy of text of such resolution and such resolution shall be in same force and effective as if it had been adopted at a duly convened meeting of the Compliance and Governance Committee. The Chairman of the Compliance and Governance Committee has a casting vote.

The Compliance and Governance Committee consists of three members as follows:

1. Mr.Chet	Pattrakornkul*	Chairman of the Compliance and Governance Committee
2. Mr.Tanin	Chirasoonton	Member of the Compliance and Governance Committee
3. Mrs.Patraporn	Milindasuta	Member of the Compliance and Governance Committee
Mr.Aphichart	Chongsanguanpradap	Secretary of the Compliance and Governance Committee

**Remark** \* Independent director

## Risk Management Committee

The Risk Management Committee has roles, duties and responsibilities as assigned by the Board of Directors as follows:

1. Set up overall policy on risk management for the Bank and companies in the Group and propose to the Board of Directors for consideration. This includes major policies on credit risk, market risk, liquidity risk, operational risk, risk appetite and any risk that could adversely affect the Bank and its subsidiaries' reputation.
2. Develop strategies that are consistent with the Bank's risk management policy. The strategies should enable the committee to assess, monitor and control risks to be at acceptable levels. Additionally, it is the responsibility of the committee to set up criteria in considering reserve for asset classification.
3. Review the adequacy of the risk management policies and systems as well as the effectiveness of such systems and implementation according to specified policies.
4. Regularly update the Board of Directors on its performance of duties. This will allow the Board of Directors and the committee to provide feedback that will help modify the operation to be consistent with the Bank's risk management policies and guidelines. Such information shall also be reported to the Audit Committee and the Compliance and Governance Committee for acknowledgement.
5. Consider and approve criteria relating to 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 in order to propose to the Board of Directors for approval.
6. Oversee the risk management of the Bank and companies in the Group and report to the Board of Directors.
7. Report the committee's performance to the Board of Directors at least once a year.

The Risk Management Committee shall meet at least once every quarter or as it deems appropriate. The quorum of the Risk Management Committee's meetings consists of not less than half of the Risk Management Committee's members. The meeting resolution is passed by a majority vote of the committee's member attending the meeting. The Risk Management Committee may adopt a resolution without holding a meeting if all committee members sign their names on a copy of text of such resolution and such resolution shall be in same force and effective as if it had been adopted at a duly convened meeting of the Risk Management Committee. The Chairman of the Risk Management Committee has a casting vote.



The Risk Management Committee consists of nine members as follows:

1. Mr.Supol	Wattanavekin	Chairman of the Risk Management Committee
2. Mr.Banyong	Pongpanich	Member of the Risk Management Committee
3. Dr.Anya	Khanthavit	Member of the Risk Management Committee
4. Mr.Aphinant	Klewpatinond	Member of the Risk Management Committee
5. Mr.Krittaya	Veeraburus	Member of the Risk Management Committee
6. Mrs.Patraporn	Milindasuta	Member of the Risk Management Committee
7. Mr.Chavalit	Chindavanig	Member of the Risk Management Committee
8. Mr.Pansalit	Trakarnkitvichit	Member of the Risk Management Committee
9. Mr.Norachet	Sangruji	Member of the Risk Management Committee
Dr.Popanit	Poommarapan	Secretary of the Risk Management Committee

## Executive Committee

The Executive Committee has roles, duties and responsibilities as assigned by the Board of Directors as follows:

1. Set corporate direction and strategic goal for the Bank and companies in the Group and propose to the Board of Directors for consideration.
2. Consider the policy and operating plan of the Bank and companies in the Group, proposed by the CEO, to the Board of Directors for consideration and ensure that the CEO operates the business in accordance with the approved policy effectively and efficiently.
3. Consider and approve policies, guidelines and working rules of the Bank and companies in the Group.
4. Oversee the business operation of the Bank and companies in the Group in order to carry out the business in accordance with the laws and approved policies.
5. Establish the organization structure of the Bank and companies in the Group, as well as assign other operational matters of the Bank and companies in the Group to the CEO and sub-committees in order to propose to the Board of Directors for consideration.
6. Supervise the performance and establish the roles and responsibilities of the CEO, sub-committees, and executives, who are assigned by the Executive Committee to be responsible for the specific matter.
7. Consider and approve loans, restructuring loans and sales of main foreclosed property, set the asset price to be purchased from the auction, exercise the right to protest in accordance with the specified limit, approve the expenses and the lawsuit with the debtors and approve the underwriting of securities or any business substantially deemed to commit capital of the Bank or companies in the Group within the specified limit.

The Executive Committee shall meet at least once a month or as it deems appropriate. The quorum of the Executive Committee's meetings consists of not less than half of the Executive Committee's members. The meeting resolution is passed by a majority vote of the committee's member attending the meeting. In cases where unanimity is not reached, the committee member may propose such agenda to the Board of Directors for consideration. The Executive Committee may adopt a resolution without holding a meeting if all committee members sign their names on a copy of text of such resolution and such resolution shall be in same force and effective as if it had been adopted at a duly convened meeting of the Executive Committee.

The Executive Committee consists of eight members as follows:

1. Mr.Banyong	Pongpanich	Chairman of the Executive Committee
2. Mr.Aphinant	Klewpatinond	Member of the Executive Committee
3. Mr.Krittiya	Veeraburus	Member of the Executive Committee
4. Ms.Thitinan	Wattanavekin	Member of the Executive Committee
5. Mr.Pracha	Chumnarnkitkosol	Member of the Executive Committee
6. Mrs.Patraporn	Milindasuta	Member of the Executive Committee
7. Dr.Anuchit	Anuchitanukul	Member of the Executive Committee
8. Mrs.Patchanee	Limapichat	Member of the Executive Committee
Mrs.Vararat	Satayarak	Secretary of the Executive Committee

Mr.Supol Wattanavekin is the Advisor of the Executive Committee.

In addition, the Bank has other committees and sub-committees which are established to assist the above-mentioned committees and President to effectively and efficiently operate the businesses of the Bank and companies in the Group.

**Sub-committees under the supervision of the Risk Management Committee**

- 1) Operational Risk Sub-committee
- 2) Credit Risk Management Sub-committee

**Committees under the supervision of the Executive Committee**

- 1) Assets and Liabilities Management Committee
- 2) Main Credit and Foreclosed Property Committee
- 3) Human Resource Management Committee
- 4) Investment Committee
- 5) Underwriting Committee

**Sub-committee under the supervision of the Assets and Liabilities Management Committee**

- 1) Money Desk Sub-committee

**Committees and sub-committees under the supervision of the Main Credit and Foreclosed Property Committee**

- 1) Credit and Foreclosed Property Committee
- 2) Credit Sub-committee
- 3) Foreclosed Property Sub-committee
- 4) Asset Appraisal and Valuation Sub-committee

**Sub-committees under the supervision of the Commercial Banking Management Committee**

- 1) Property and Equipment Management Sub-committee
- 2) Process Improvement and IT Sub-committee
- 3) Procurement Sub-committee
- 4) IT Procurement Sub-committee
- 5) New Product & Process Review Sub-committee
- 6) Business Development & Product Strategy Sub-committee
- 7) Crisis Management Sub-committee
- 8) Integrated Marketing Sub-committee

**Committees under the supervision of the Board of Directors of PHATRA**

- 1) Capital Market Human Resources Committee
- 2) Capital Market Risk Management Committee

**Committees under the supervision of the Board of Directors of PTSEC**

- 1) Audit Committee
- 2) Risk Management Committee

**Committees under the supervision of the Board of Directors of PASSET**

- 1) Audit Committee
- 2) Risk Management Committee
- 3) Investment Committee



Table Shows Board of Directors' and Committees' Meeting Attendance in 2016.

Name	Meeting Attendance in 2016					
	Board of Directors (Total 13 Meetings)	Audit Committee (Total 10 Meetings)	Nomination and Remuneration Committee (Total 6 Meetings)	Compliance and Governance Committee (Total 6 Meetings)	Risk Management Committee (Total 14 Meetings)	Executive Committee (Total 14 Meetings)
1. Mr.Supol Wattanavekin	13/13 <sup>1</sup>	-	-	-	14/14 <sup>1</sup>	8/14 <sup>2</sup>
2. Assoc.Prof.Manop Bongsadadt <sup>3</sup>	11/13	6/7	4/6 <sup>1</sup>	-	-	-
3. Mr.Chet Pattrakornkul	13/13	10/10	6/6	6/6 <sup>1</sup>	-	-
4. Mr.Pravit Varutbangkul <sup>4</sup>	4/4	3/3	2/2	3/3	-	-
5. Mr.Pongtep Polanun	12/13	-	-	-	-	-
6. Mrs.Dayana Bunnag	12/13	10/10 <sup>1</sup>	-	-	-	-
7. Mr.Veravat Chutichetpong <sup>5</sup>	1/1	-	-	-	-	-
8. Mr.Tanin Chirasoonton	10/13	-	-	6/6	-	-
9. Mr.Suraphol Kulsiri	12/13	-	-	-	-	-
10. Mr.Banyong Pongpanich	12/13	-	-	-	3/14	13/14 <sup>1</sup>
11. Mr.Suvit Mapaisansin <sup>6</sup>	12/13	-	4/4	-	-	5/5
12. Mr.Aphinant Klewpatinond	13/13	-	-	-	14/14	14/14
13. Mr.Krittiya Veraburus <sup>7</sup>	10/11	-	-	-	9/14	13/14
14. Ms.Thitinan Wattanavekin	13/13	-	-	-	-	12/14
15. Mr.Pracha Chumnarnkitkosol <sup>8</sup>	4/4	-	-	-	-	11/14
16. Mrs.Patraporn Milindasuta <sup>9</sup>	3/4	-	-	3/6	7/14	7/9

**Remark:**<sup>1</sup> Chairman<sup>2</sup> Attended the meeting as an advisor<sup>3</sup> Appointed as member of the Audit Committee by the resolution of the Board of Directors' meeting no.5/2559 dated on April 27, 2016 and effective from May 1, 2016<sup>4</sup> Retired from the Bank's director post by rotation in the 2016 Annual General Meeting of Shareholders dated on April 25, 2016<sup>5</sup> Appointed as the Bank's independent director (in replacement of Mr.Krittiya Veraburus) by the resolution of the Board of Directors' meeting no.12/2559 dated on November 10, 2016 and effective from November 30, 2016<sup>6</sup> Retired from the member of the Executive Committee and appointed as member of the Nomination and Remuneration Committee by the resolution of the Board of Directors' meeting no.5/2559 dated on April 27, 2016 and effective from May 1, 2016<sup>7</sup> Resigned from the Bank's director post effective from November 9, 2016<sup>8</sup> Retired from the Bank's director post by rotation in the 2016 Annual General Meeting of Shareholders dated on April 25, 2016<sup>9</sup> Resigned from the Bank's director post effective from April 22, 2016 and appointed as member of the Executive Committee by the resolution of the Board of Directors' meeting no.5/2559 dated on April 27, 2016 and effective from May 1, 2016

## Management

As of December 31, 2016, the Bank had the following management.

No.	Name-Surname		Position
1.	Mr.Aphinant	Klewpatinond	Member of the Executive Committee Chief Executive Officer and President
2.	Mr.Pracha	Chumnarnkitkosol	Member of the Executive Committee First Executive Vice President Head of Special Asset Management Group
3.	Mrs.Patraporn	Milindasuta	Member of the Executive Committee First Executive Vice President Chief Governance Officer
4.	Dr.Anuchit	Anuchitanukul	Member of the Executive Committee First Executive Vice President Head of Process and Product Improvement and Alternative Channels Group
5.	Mr.Chavalit	Chindavanig	First Executive Vice President Head of Finance and Budgeting Group
6.	Mr.Sarawut	Charuchinda	First Executive Vice President Head of Commercial Lending Group
7.	Mr.Preecha	Techarungchaikul	First Executive Vice President Head of Financial Markets Group
8.	Dr.Popanit	Poommarapan	First Executive Vice President Head of Risk Management Group
9.	Mr.Manit	Wannavanit	First Executive Vice President Head of Sales and Distribution Group
10.	Mrs.Kulnan	Tsanthaiwo	First Executive Vice President Head of Priority Banking Group
11.	Mr.Worrakrit	Jaruwongpak	First Executive Vice President Head of Operations Group
12.	Mr.Pansalit	Trakarnkitvichit	First Executive Vice President Head of Credit Analysis Group
13.	Mr.Norachet	Sangruji	First Executive Vice President Head of Corporate Banking Group
14.	Mr.Chatchai	Dusadenoad	First Executive Vice President Head of Information Technology Group
15.	Mr.Pattarapong	Raktabutr	First Executive Vice President Head of Alternative Distribution Channel Group
16.	Mr.Therapong	Vachirapong <sup>/1</sup>	First Executive Vice President Head of Corporate Strategy Group
17.	Ms.Nilawan	Treekitjamroon	Senior Vice President Department Head of Accounting, Finance and Budgeting Group

**Remark:** <sup>/1</sup> Appointment effective from June 3, 2016



## Corporate Secretary

The Board of Directors has appointed Ms.Porntip Chuprakhun to be the Corporate Secretary since January 13, 2010 to facilitate the work of the Board of Directors with respect to regulations, the Board of Directors' meetings and shareholders' meetings. The responsibilities and duties of the Corporate Secretary include the following:

1. Advise directors on basic laws and regulations that they need to know in order to administer the functions of the Board of Directors;
2. Organize and manage the meetings of shareholders, Board of Directors and committees in accordance with laws, the Bank's Articles of Association, good practices and charter of each committee. The Corporate Secretary is also responsible for ensuring and monitoring the compliance with resolution of the shareholders' and Board of Directors' meetings as well as laws and relevant regulations;
3. Prepare and maintain key corporate documents and records: current registration of directors, notices and minutes of the shareholders' meetings, annual report, and notices and minutes of the Board of Directors' meetings;
4. Ensure that directors and management prepare report of interest of themselves and related persons in accordance with the law, keep a record of such report and send a copy of such report to the Chairman of the Board and the Chairman of Audit Committee as stipulated by law;
5. Manage the disclosure of information in responsibility according to the regulations of the relevant agencies overseeing the Bank;
6. Process all matters concerning the share registration, i.e. the payment of dividend and increase of registered capital, etc; and
7. Perform any other act as prescribed by the Capital Market Commission.

# Nomination and Appointment of Directors and Executives

## Nomination of Director

The Nomination and Remuneration Committee is responsible for selecting and determining appropriate persons with experience, knowledge and competencies beneficial to the Bank to be nominated as the Bank's directors, independent directors or Audit Committee members and to propose nominations to the Board of Directors' meeting or shareholders' meeting in accordance with the Bank's Articles of Association.

For nominating new directors, the Bank prepares the board skill matrix to determine qualifications of new directors by considering competences, skills and experiences necessary for the Board of Directors and in line with the Group's business strategy. Also, the Bank uses director pool for selecting new directors.

The Nomination and Remuneration Committee shall take into consideration the suggestions of shareholders, who have right to nominate individuals qualified as candidates for a director or an independent director of the Bank, via the specified channels. The guidelines for shareholders to nominate a director in advance are posted on the Bank's website. Individuals, who are nominated as independent directors, shall have qualifications as required in the announcements of the SEC and SET and as specified in the Bank's independent director qualification.

The selection process starts with the qualified individuals proposed by shareholders, directors and executives, with all detailed biography attached. Then, the Nomination and Remuneration Committee considers the nominees' qualifications prior to proposing such persons initially to the Board of Directors and finally seeking shareholders' approval. The election of directors by shareholders' meeting shall be in accordance with the Bank's Articles of Association as follows:

1. A shareholder shall have one vote for one share.

2. Each shareholder shall use all his or her votes under no.1 to elect one or several persons as a director. However, he or she may not divide his or her votes among any candidates.
3. The persons who receive the most votes in ranking order will be elected as directors up to the number of directors the Bank shall have or elect at that meeting. In the event that the persons being elected in subsequent order have equal votes but their election would exceed the number of directors required to be elected in that meeting, the Chairman of the meeting shall have a casting vote.

## Right of Shareholders to Nominate Directors

Allowing shareholders to nominate directors in advance is part of the Bank's Corporate Governance Principles. The Bank has defined and published the guidelines for shareholders to nominate directors on its website.

The shareholder, who would like to nominate a director, must possess the following qualifications:

1. Be the Bank's shareholder holding a minimum of 200,000 shares, which can be either owned by one shareholder or combined;
2. Has owned the shares as stipulated above continuously for at least one year by the date the shareholder proposes the director nominee; and
3. Show proof of share ownership, such as a certified letter from a securities company or other evidence from the SET of TSD.

The Nomination and Remuneration Committee will evaluate the qualifications of the nominees and give opinion to the Board of Directors for further consideration and proposing to the shareholders' meeting. The Board's resolution is considered final.





The nominees approved by the Nomination and Remuneration Committee and the Board of Directors will be included in the agenda for director election along with the opinion of the Board of Directors. For the nominees who are not approved by the Nomination and Remuneration Committee or the Board of Directors, the Bank will inform the shareholder(s) after the Board of Directors' meeting via its website or other appropriate channels.

### **Nomination of Executives**

The Nomination and Remuneration Committee is responsible for selecting and determining qualified individuals with desired qualifications to be appointed as the Bank's Executives. The Committee selects qualified individuals based on knowledge, capabilities and experience in the financial and banking industry, and other attributes which are necessary for appointed roles. Furthermore, the qualified individuals should demonstrate professional values and vision which are aligned with that of the Board of Directors, to ensure success of the Bank. Upon selecting qualified individuals, the Nomination and Remuneration Committee will propose the selected candidates to the Board of Directors for approval.

For other management positions from Executive Vice President and First Executive Vice President, the senior executives are responsible for recruiting individuals who demonstrate knowledge, capabilities,

and experiences which are required for appointed positions. Senior Executives will propose selected candidates to the Nomination and Remuneration Committee, and subsequently propose to the Bank of Thailand for approval and to the Board of Directors for official appointments.

### **Procedures in the Appointment of Directors, Executives, Authorized Persons or Advisors**

The Bank has set the guideline for appointing directors, executives, authorized persons or advisors of the Bank so that the approval of such persons complies with the Financial Institution Business Act B.E. 2551 and the notification of the Bank of Thailand, which specifies that financial institutions have to verify the qualifications of persons proposed to be appointed as directors, executives, authorized persons or advisors to ensure that they do not hold incompatibility as prescribed in Section 24 (1) – (10) of the Financial Institution Business Act B.E. 2551, and possess an additional three aspects required by the Bank of Thailand which includes 1) Honesty, Integrity and Reputation; 2) Competence, Capability and Experience; and 3) Financial Soundness.

Upon the approval from the Bank of Thailand, the nominated persons will be proposed to the Board of Directors for approval or for proposing to the shareholders' meeting for election.

# Remuneration of Directors and Executives

## Monetary Remuneration

### Remuneration of Directors

The Bank has developed the directors' remuneration structure which is in line with industry practices. The directors' remuneration shall be determined based on the fiduciary of duty. Level of the remuneration shall be attractive to qualified directors, and shall incentivize the directors to perform their duties with dedication for the Bank. In addition, the directors' remuneration shall be reviewed annually to ensure its competitiveness compared with directors' remuneration of the listed companies with similar businesses or equivalent, as disclosed in the Thai Institute of Directors Association (IOD)'s Thai Directors Compensation Survey.

The Nomination and Remuneration Committee shall review and determine the directors' remuneration on an annual basis, and propose to the Board of Directors' meeting and the annual general meeting of shareholders for approval.

Director's remuneration structure is consisted of:

- Retaining Fee: Monthly remuneration payout to the Chairperson and directors of the Board.
- Attendance Fee: Directors are entitled to receive the attendance fee based on their attendance.
- Bonus: Annual remuneration for the directors which is related to the Bank's performance.

The 2016 Annual General Meeting of Shareholders, dated on April 25, 2016 approved a budget of Baht 25 million for the directors' remuneration (excluding directors' bonus) for the year 2016. The remuneration included retaining fee, attendance fee for the Board of Directors' and sub-committees' meetings, general benefits such as group life and health insurances and remuneration for the advisor of the sub-committees of Chairman of the Board of Directors and Chairman of the Executive Committee of which details were as follows:

	Retaining Fee (Baht / Month)	Attendance Fee (Baht / Meeting)
(1) Remuneration of Board of Director		
• Chairperson	100,000	-
• Member	50,000	-
(2) Remuneration of Sub-committees		
• Chairperson	-	45,000
• Member	-	30,000
(3) Remuneration of Chairman of the Board of Directors as he is also the advisor of the Executive Committee as well as the advisor of other three sub-committees under the supervision of the Executive Committee, namely 1) the Investment Committee 2) the Human Resource Management Committee and 3) the Capital Market Human Resources Management Committee	250,000	-
(4) Remuneration of Chairman of the Executive Committee as he is also the advisor of three sub-committees under the supervision of the Executive Committee, namely 1) the Main Credit and Foreclosed Property Committee 2) the Assets and Liabilities Management Committee and 3) the Human Resource Management Committee	300,000	-



The Board of Directors was of the opinion that the remuneration for Chairmen, which was higher than those of other directors, was appropriate as the Chairmen had significant role in supporting the performance of the Board of Directors and committees for the utmost benefit of the Bank and shareholders.

Regarding the directors' bonus for the year 2016, the Board of Directors would propose to the 2017 Annual General Meeting of Shareholders for approval.

Directors, who assume managerial positions of the Bank and/ or of the subsidiaries in the Group, shall not be eligible for directors' remuneration.

Directors who are appointed as directors in any

committees or advisors to the sub-committees, shall be entitled to receive the attendance fee based on their attendance and delegated authorities.

The subsequence table presents remuneration of directors for the year 2016, including all components of the remunerations for every committee body and general benefits such as group life and health insurances, in the total of Baht 21,401,301.37 which is under the 2016 directors' remuneration budget of Baht 25 million approved by the 2016 Annual General Meeting of Shareholders but excludes directors' bonus which will be proposed to the 2017 Annual General Meeting of Shareholders for approval.

(Unit : Baht)

No.	Board of Directors	Attendance Fee (Based on their Attendance)										Retaining Fee	2016 Bonus * (Paid in 2017)	Total Directors' Remuneration (Excluding Bonus)	Grand Total
		Audit Committee	Nomination and Remuneration Committee	Compliance & Governance Committee	Risk Management Committee	Executive Committee	Main Credit and Foreclosed Property Committee	Credit and Foreclosed Property Committee	Investment Committee	Human Resource Management Committee	Advisor of Sub-Committees				
1	Mr Supol Wattavekin	-	-	-	465,000	-	-	-	-	-	3,000,000	-	3,000,000	4,665,000.00	7,665,000
2	Mrs Dayana Bunhag	405,000	-	-	-	-	-	-	-	-	-	-	1,500,000	1,005,000.00	2,505,000
3	Assoc.Prof. Manop Borissadatt	180,000	165,000	-	-	-	-	-	-	-	-	-	1,500,000	945,000.00	2,445,000
4	Mr Chet Pattrakornkul	270,000	160,000	225,000	-	-	-	-	-	-	-	-	1,500,000	1,255,000.00	2,755,000
5	Mr Pongtep Polanun	-	-	-	-	-	1,845,000	1,875,000	180,000	-	-	-	1,500,000	4,500,000.00	6,000,000
6	Mr Veravat Chulichepong <sup>1/4</sup>	51,667	-	-	-	-	-	-	-	-	-	-	131,510	51,667	183,177
7	Mr Tamin Chirasoonon	600,000	-	150,000	-	-	-	-	-	-	-	-	1,500,000	750,000.00	2,250,000
8	Mr Suraphol Kulsiri	600,000	-	-	-	-	1,230,000	-	-	-	-	-	1,500,000	1,830,000.00	3,330,000
9	Mr Suwit Mapaisansin	600,000	120,000	-	-	100,000	-	-	-	-	-	-	1,500,000	820,000.00	2,320,000
10	Mr Banyong Pongpanich	600,000	-	-	50,000	525,000	-	-	435,000	-	2,400,000	-	3,000,000	4,010,000.00	7,010,000
11	Ms Thitinan Wattavekin	600,000	-	-	-	310,000	-	-	-	100,000	-	-	1,500,000	1,010,000.00	2,510,000
12	Mr Aphihant Kiewpatirond	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Director who resigned during 2015</b>															
13	Mrs Pataporn Milindasuta <sup>1/1</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Mr Pravut Vantbangkul <sup>1/2</sup>	200,000	60,000	60,000	-	-	-	-	-	-	-	-	-	360,000.00	360,000
15	Mr Pracha Chummanrikitsol <sup>1/3</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Mr Krittiya Veeraburus <sup>1/4</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>		<b>6,851,667</b>	<b>915,000</b>	<b>485,000</b>	<b>435,000</b>	<b>935,000</b>	<b>3,075,000</b>	<b>1,875,000</b>	<b>615,000</b>	<b>100,000</b>	<b>5,400,000</b>	<b>21,201,667</b>	<b>18,131,510</b>	<b>39,333,177</b>	

<sup>1/1</sup> Resigned from the Bank's director post effective from April 22, 2016

<sup>1/2</sup> Retired from the Bank's director post by rotation in the 2016 Annual General Meeting of Shareholders dated on April 25, 2016

<sup>1/3</sup> Resigned from the Bank's director post effective from November 9, 2016

<sup>1/4</sup> Appointed as the Bank's independent director (in replacement of Mr.Krittiya Veraburus) by the resolution of the Board of Directors' meeting no.12/2559 dated on November 10, 2016 and effective from November 30, 2016

\* Board of Director will propose to the 2017 Annual General Meeting of Shareholders for approval of 2016 Board of Directors' Bonus. (Referring to the Minute of the 2016 Annual General Meeting of Shareholders dated on April 25, 2016)  
Directors, who assume managerial positions of the Bank and/or of the subsidiaries, shall not be eligible for Directors' Remuneration. (Referring to the Minute of the 2016 Annual General Meeting of Shareholders dated on April 25, 2016)



### **Remunerations of Executives**

On an annual basis, the Nomination and Remuneration Committee shall arrange the performance evaluation of the CEO and President (Details of the Executive Performance Evaluation are shown in the Corporate Governance Policy and Practices Section.) The evaluation results shall be used as one of the factors to determine their appropriate compensation. The Chairman of the Board of Directors shall communicate the evaluation results to the CEO and President.

In 2016, the Bank paid compensation to fourteen executives, excluding five executives who are on secondment from subsidiaries, of Baht 202,902,986 in total. The compensation arranged for the executives were in the form of monthly salaries, bonuses and other

incomes (if any), which were determined based on the total compensation concept, taken into account the performance of the individual performance in accordance with his duty and management responsibility for operating business to achieve the specified plan and strategy, and the overall organizational performance in both short and long terms. The Bank has not offered any right to purchase or sell any asset to the senior executives.

(Executives, according to the definition suggested by the SEC, are managers or executives at top-four level positions from Managing Director, and all employees, whose position levels are equivalent to 4<sup>th</sup> level top management positions, including Head of Finance or Accounting Department.)

### **Other Compensations**

In addition to the directors' remuneration in the form of retaining fee, attendance fee and bonus, the Bank also provides other general benefits and perquisites to the directors as follows:

The Group insurances cover life, accident, total permanent disability and health for the Chairman and directors who are non-executive directors. Insurance coverage for life, accident and total permanent disability is Baht 5 million and Baht 2.5 million for the Chairman and non-executive directors respectively. Health insurance coverage is identical to those of the senior executives. The group life and health insurance premium for directors for the year 2016 was Baht 229,634.70.

Table shows changes in directors' KKP shareholding.

NO.	Director	Shareholding (Share)		Change Increase/ (Decrease) (Share)
		December 31, 2015	December 31, 2016	
1.	Mr. Supol Wattanavekin	12,605,416	12,605,416	-
	Spouse	1,071,434	1,071,434	-
	Minor Children	-	-	-
2.	Mrs. Dayana Bunnag	-	-	-
	Spouse	-	-	-
	Minor Children	-	-	-
3.	Assoc. Prof. Manop Bongsadadt	100,000	100,000	-
	Spouse	-	-	-
	Minor Children	-	-	-

NO.	Director	Shareholding (Share)		Change Increase/ (Decrease) (Share)
		December 31, 2015	December 31, 2016	
4.	Mr. Chet Pattrakornkul	75,000	75,000	-
	Spouse	-	-	-
	Minor Children	-	-	-
5.	Mr. Pongtep Polanun	488	488	-
	Spouse	-	-	-
	Minor Children	-	-	-
6.	Mr. Veravat Chutichetpong <sup>1/</sup>	N/A	2,323,739	-
	Spouse	N/A	-	-
	Minor Children	N/A	-	-
7.	Mr. Tarnin Chirasoonton	100,000	100,000	-
	Spouse	-	-	-
	Minor Children	-	-	-
8.	Mr. Suraphol Kulsiri	97,000	97,000	-
	Spouse	-	-	-
	Minor Children	-	-	-
9.	Mr. Suvit Mapaisansin	1,029,406	1,029,406	-
	Spouse	-	-	-
	Minor Children	-	-	-
10.	Mr. Banyong Pongpanich	2,000,046	2,000,046	-
	Spouse	-	-	-
	Minor Children	-	-	-
11.	Ms. Thitinan Wattanavekin	35,532,761	35,532,761	-
	Spouse	-	-	-
	Minor Children	-	-	-
12.	Mr. Aphinant Klewpatinond	550,000	550,000	-
	Spouse	-	-	-
	Minor Children	-	-	-

**Remark:** <sup>1/</sup> Mr.Veravat Chutichetpong was appointed as an independent director effective from November 30, 2016. Hence, a number of shareholdings as of December 31, 2015 is not appropriate comparison



Table shows changes in executives' KKP shareholding.

NO.	Director	Shareholding (Share)		Change Increase/ (Decrease) (Share)
		December 31, 2015	December 31, 2016	
1.	Mr. Aphinant Klewpatinond	550,000	550,000	-
	Spouse	-	-	-
	Minor Children	-	-	-
2.	Mr. Pracha Chumnarnkitkosol	359,100	-	(359,100 )
	Spouse	-	-	-
	Minor Children	-	-	-
3.	Mrs. Patraporn Milindasuta	-	-	-
	Spouse	-	-	-
	Minor Children	-	-	-
4.	Dr. Anuchit Anuchitanukul	-	-	-
	Spouse	-	-	-
	Minor Children	-	-	-
5.	Mr. Chavalit Chindavanig	375,000	375,000	-
	Spouse	-	-	-
	Minor Children	-	-	-
6.	Mr.Sarawut Charuchinda	350,000	170,000	(180,000 )
	Spouse	-	-	-
	Minor Children	-	-	-
7.	Mr. Preecha Techarungchaikul	-	-	-
	Spouse	-	-	-
	Minor Children	-	-	-
8.	Dr. Popanit Poommarapan	-	-	-
	Spouse	-	-	-
	Minor Children	-	-	-
9.	Mr. Manit Wannavanit	30,000	15,000	(15,000)
	Spouse	-	-	-
	Minor Children	-	-	-
10.	Mrs.Kulnan Tsanthaiwo	-	-	-
	Spouse	-	-	-
	Minor Children	-	-	-



NO.	Director	Shareholding (Share)		Change Increase/ (Decrease) (Share)
		December 31, 2015	December 31, 2016	
11.	Mr. Worrakrit Jaruwongpak	-	-	-
	Spouse	-	-	-
	Minor Children	-	-	-
12.	Mr. Pansalit Trakarnkitvichit	-	-	-
	Spouse	-	-	-
	Minor Children	-	-	-
13.	Mr. Norachet Sangruji	1,570,000	1,570,000	-
	Spouse	-	-	-
	Minor Children	-	-	-
14.	Mr. Chatchai Dusadenoad	-	-	-
	Spouse	-	-	-
	Minor Children	-	-	-
15.	Mr. Pattarapong Raktabutr	-	-	-
	Spouse	-	-	-
	Minor Children	-	-	-
16.	Mr. Therapong Vachirapong <sup>/1</sup>	N/A	580	-
	Spouse	N/A	-	-
	Minor Children	N/A	-	-
17.	Ms. Nilawan Treekitjamroon	-	-	-
	Spouse	-	-	-
	Minor Children	-	-	-

**Remark:** <sup>/1</sup> Mr. Therapong Vachirapong was appointed as First Executive Vice President, Head of Strategy Group effective from June 3, 2016. Hence, a number of shareholdings as December 31, 2015 is not appropriate comparison.

# Profiles of the Directors, Executives, Controlling Persons and Corporate Secretary



Name-Surname Present Position	Age:	Education/ Director Training Programs	Family Relationship with the Executive	KKP share holding*	Experience in the Past 5 Years		
					Year	Position	Company Name
1. Mr. Supol Wattanavekin • Chairman of the Board of Directors <sup>/1</sup> • Chairman of the Risk Management Committee - Appoint as a director effective on April 1, 1973 - <sup>/1</sup> Appointed as a Chairman of the Board Director effective on January 1, 2011	61	• Master of Business Administration (Executive) Sasin Graduate Institute of Business Administration of Chulalongkorn University • Bachelor of Laws, Ramkhamhaeng University <b>Director Training Programs :</b> • SET 100 Civil and State Cooperation (2016) The Stock Exchange of Thailand (SET) • Risk Management Program for Corporate Leader (RCL3/2016) Thai Institute of Directors Association (IOD) • CG Forum 4/2015 – Thailand CG Forum “Governance as a Driving Force for Business Sustainability” The Stock Exchange of Thailand (SET) • Director Certification Program Update (DCPU 1/2014) Thai Institute of Directors Association (IOD) • CG Forum 2/2014 Corporate Governance in the Perspective of investors The Stock Exchange of Thailand (SET) • Chairman Forum 1/2013 Meeting the AEC Challenge : Role of the Chairman Thai Institute of Directors Association (IOD) • CG Forum 3/2013 Conflict of Interest : Fighting Abusive RPT The Securities and Exchange Commission • 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)	Ms. Thitinan Wattanavekin's brother	13,676,850 (1.615)	<b>Kiatnakin Phatra Financial Group</b>		
					2011 – present	Chairman of the Board of Directors Chairman of the Risk Management Committee	Kiatnakin Bank Public Company Limited
					2007 – 2010	Director Chairman of the Executive Committee Chairman of the Risk Management Committee	
					2005 – 2007	Chairman of the Board of Directors	
					<b>Other Listed Companies</b>		
					2004 – present	Director	The Erawan Group Public Company Limited
					<b>Non-Listed Companies</b>		
					Dec 2016 - present	Advisor	Eastern Sugar Company Limited
					2015 – present	Director	Ruamwanthana Company Limited
					1990 – present	Chairman of the Board of Directors	BTMU Leasing (Thailand) Company Limited
					1999 – 2011	Director	KKTRADE Securities Company Limited

Name-Surname Present Position	Age:	Education/ Director Training Programs	Family Relationship with the Executive	KKP share holding*	Experience in the Past 5 Years		
					Year	Position	Company Name
		<ul style="list-style-type: none"> <li>Financial sector Restructuring in Thailand : From present to the future (Special Seminar 1/ 2010)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>The 5<sup>th</sup> SEACEN / ABAC / ABA / PECC Public Private Dialogue for the Asia Pacific Region (2009)</li> <li>The South East Asia Central Bank Research and Training Center, Malaysia</li> <li>Corporate Governance Report of Thai Listed Companies (2007)</li> <li>Thai Listed Companies Association</li> <li>Leadership, Strategic Growth and Change (2006)</li> <li>Sasin Graduate Institute of Business Administration of Chulalongkorn University</li> <li>Organizing and Managing Strategic Alliances for Success and Profit (2006)</li> <li>Sasin Graduate Institute of Business of Chulalongkorn University</li> <li>Director Certification Program (DCP 76/2006)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>Director Accreditation Program (DAP 56/2006)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>Orchestrating Winning Performance (2005) IMD International, Switzerland</li> <li>Board &amp; CEO Assessment (2003), Thai Institute of Directors Association (IOD)</li> <li>The Role of the Chairman Program (RCP 1/2000)</li> <li>Thai Institute of Directors Association (IOD)</li> </ul>					

\*KKP share holding is included share numbers of spouse and minor children



Name-Surname Present Position	Age:	Education/ Director Training Programs	Family Relationship with the Executive	KKP share holding*	Experience in the Past 5 Years		
					Year	Position	Company Name
2. Mrs. Dayana Bunnag • Independent Director <sup>/1</sup> • Chairman of the Audit Committee	64	<ul style="list-style-type: none"> <li>Master of Business Administration University of Texas, Austin, U.S.A.</li> <li>Bachelor of Economics (2<sup>nd</sup> Class Honors), Chulalongkorn University</li> </ul> <b>Director Training Programs :</b> <ul style="list-style-type: none"> <li>Advance Audit Committee Program (AACCP 24/2016)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>Director Certification Program Update (DCPU 5/2015)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>Role of the Nomination and Governance Committee (RNG 4/2013)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>Top Executive Program (Class 11/2011)</li> <li>Capital Market Academy</li> <li>Role of the Compensation Committee (RCC 11/2010)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>Director Certification Program (DCP 4/2000)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>Fund Manager Course               <ul style="list-style-type: none"> <li>- Course 1/1996</li> <li>- Refresher Course 7/2005</li> <li>- Refresher Course 11 (2/2007)</li> <li>- Refresher Course 15 (2/2009)</li> </ul> </li> <li>Association of Investment Management Companies</li> </ul>	None	None	<b>Kiatnakin Phatra Financial Group</b>		
					2015 - present	Independent Director Chairman of the Audit Committee	Kiatnakin Bank Public Company Limited
					<b>Other Listed Companies</b>		
					None		
					<b>Non-Listed Companies</b>		
					Feb 2016 - present	Director of the Pension Integration Committee	Ministry of Finance
					2015 - present	Sub-committee of the Investment Committee	National Savings Fund
					2014 - present	Chairman of the Audit Committee	Ocean Life Insurance Public Company Limited
					2012 - present	Director	
					2012 - present	Advisor to the President Vice Chairman of the Executive Committee	Bangkok University
					2012 - present	Member of Committee on Consideration of Guidelines for Investment of Insurance Companies in Other Businesses	Office of Insurance Commission
					2012 - present	Member of Committee on Consideration of Draft Insurance Commission Declarations	
					2005 - present	Director	Buranburi Security Guard Co.,Ltd.
					2015 - Mar 2016	Director Member of the Audit Committee	Metropolitan Electronic Authority
					Jul - Nov 2014	Director Member of the Audit Committee	
					2010 - 2012	Director	Ocean Life Insurance Company Limited

<sup>/1</sup> Appointed effective on April 23, 2015

Name-Surname Present Position	Age:	Education/ Director Training Programs	Family Relationship with the Executive	KKP share holding*	Experience in the Past 5 Years		
					Year	Position	Company Name
					2009 - 2014	Board Member of Capital Market Advisory Board	The Securities and Exchange Commission
					2010 - 2014	Chairman of Disciplinary Committee on Capital Market Personnel	
					2012 - 2013	Chairman of Sub-Committee on Consideration of Rules Concerning Issuance and Offering of Debts and Sukuk	
					2012 - 2013	Chairman of Sub-Committee on Consideration of Rules Concerning Issuance and Offering of Derivative, Structured Notes and Complex Products	
					2010 - 2013	Working Group for Consideration of SRO Approval Criteria	
					2010 - 2012	Chairman of Sub-Committee on Consideration of Draft Notifications Concerning Issuance and Offering of Debts	
					2010 - 2012	Chairman of Sub-Committee on Consideration of Rules Concerning Issuance and Offering of Sukuk	
					2010 - 2012	Chairman of Sub-Committee on Consideration of Draft Notifications Concerning Issuance and Offering of Equities and Management of Securities Issuing Companies	
					2010 - 2012	Chairman of Sub-Committee on Consideration of Draft Notification Concerning Issuance and Offering of Derivatives and Structured Notes	

\*KKP share holding is included share numbers of spouse and minor children



Name-Surname Present Position	Age:	Education/ Director Training Programs	Family Relationship with the Executive	KKP share holding*	Experience in the Past 5 Years		
					Year	Position	Company Name
3. Assoc. Prof. Manop Bongsadatt • Independent Director <sup>/1</sup>  • Chairman of the Nomination and Remuneration Committee  • Member of the Audit Committee	75	<ul style="list-style-type: none"> <li>• Master of Regional Planning, Institute of Social Studies, The Netherlands</li> <li>• Master of Architecture, Kansas State University, U.S.A.</li> <li>• Bachelor of Architecture, Chulalongkorn University</li> </ul> <b>Director Training Programs :</b> <ul style="list-style-type: none"> <li>• Role of the Nomination and Governance Committee (RNG 1/2011) Thai Institute of Directors Association (IOD)</li> <li>• Director Certification Program (DCP 150/2011) Thai Institute of Directors Association (IOD)</li> <li>• Role of The Compensation Committee (RCC 8/2009) Thai Institute of Directors Association (IOD)</li> <li>• Role of the Chairman Program (RCP17/2007) Thai Institute of Directors Association (IOD)</li> <li>• Audit Committee Program (ACP10/2005) Thai Institute of Directors Association (IOD)</li> <li>• Director Accreditation Program (DAP8/2004) Thai Institute of Directors Association (IOD)</li> </ul>	None	100,000 (0.012)	<b>Kiatnakin Phatra Financial Group</b>		
					May 2016 – present	Member of the Audit Committee	Kiatnakin Bank Public Company Limited
					2006 – present	Chairman of the Nomination and Remuneration Committee	
					2005 – present	Independent Director	
					2004 - 2005	Independent Director	Kiatnakin Finance Public Company Limited
<sup>/1</sup> Appointed effective on June 21, 2004					<b>Other Listed Companies</b>		
					2004 – present	Director Member of the Audit Committee	The Erawan Group Public Company Limited
					2003 – 2014	Chairman of the Board of Directors Independent Director	Rasa Property Development Public Company Limited
					<b>Non-Listed Companies</b>		
					2012 – present	Chairman of the Board of Directors Independent Director	Woraluk Property Public Company Limited
					2002 – present	Associate Professor	Faculty of Architecture, Chulalongkorn University
					1992 – present	Director	Tubkaew-Hori and Nursery Kindergarten Company Limited
					2006 – Dec 2016	Director	Krungthep Thanakom Company Limited

\*KKP share holding is included share numbers of spouse and minor children

Name-Surname Present Position	Age:	Education/ Director Training Programs	Family Relationship with the Executive	KKP share holding*	Experience in the Past 5 Years		
					Year	Position	Company Name
4. Mr. Chet Pattrakornkul • Independent Director <sup>/1</sup> • Chairman of the Compliance and Governance Committee • Member of the Audit Committee • Member of the Nomination and Remuneration Committee - <sup>/1</sup> Appointed as a director effective on April 7, 2004 and appointed as an independent director effective on April 7, 2005	68	<ul style="list-style-type: none"> <li>• Master's in Marketing (Certificate Program), Thammasat University</li> <li>• Bachelor of Science (Public Administration), Ramkhamhaeng University</li> </ul> <b>Director Training Programs :</b> <ul style="list-style-type: none"> <li>• Forum for director : Corporate Governance Code (2016)</li> <li>• Thai Institute of Directors Association (IOD)</li> <li>• Corporate Governance for Capital Market Intermediaries (CGI 08/2015)</li> <li>• Thai Institute of Directors Association (IOD)</li> <li>• CG Forum 1/2015 "CG in Substance Corporate Culture and CG Principles"</li> <li>• The Stock Exchange of Thailand</li> <li>• Director Certification Program Update (DCPU 1/2014)</li> <li>• Thai Institute of Directors Association (IOD)</li> <li>• Financial Institutions Governance Program (FGP 2013)</li> <li>• Thai Institute of Directors Association (IOD)</li> <li>• CG Forum 4/2013 "The Updated COSO's 2013 Integrated Internal Control: what the Board and Managements should do"</li> <li>• Thai Institute of Directors Association (IOD)</li> <li>• The 2nd National Director Conference 2013 "Board Leadership Evolution"</li> <li>• Thai Institute of Directors Association (IOD)</li> <li>• Role of the Nomination and Governance Committee (RNG 1/2011)</li> <li>• Thai Institute of Directors Association (IOD)</li> <li>• Financial Institutes Reform in Thailand from Present to the Future (2010)</li> <li>• Thai Institute of Directors Association (IOD)</li> </ul>	None	75,000 (0.009)	<b>Kiatnakin Phatra Financial Group</b>		
					2011 - present	Chairman of the Compliance and Governance Committee	Kiatnakin Bank Public Company Limited
					2007 - present	Member of the Audit Committee	
					2006 - present	Member of the Nomination and Remuneration Committee	
					2006 - present	Independent Director	
					2005 - 2006	Director	
					Apr - Oct 2005	Director	Kiatnakin Finance Public Company Limited
					<b>Other Listed Companies</b>		
					None		
					<b>Non-Listed Companies</b>		
					2005 - present	Advisor	Thai Hire-Purchase Association





Name-Surname Present Position	Age:	Education/ Director Training Programs	Family Relationship with the Executive	KKP share holding*	Experience in the Past 5 Years		
					Year	Position	Company Name
		<ul style="list-style-type: none"> <li>• Economy After the Crisis (2010) Thai Institute of Director Association (IOD)</li> <li>• The Board's Role on Fraud Prevention and Detection (2010) Thai Institute of Directors Association (IOD)</li> <li>• Monitoring the System of Internal Control and Risk Management (MIR 5/2009) Thai Institute of Directors Association (IOD)</li> <li>• Monitoring of the Quality of Financial Reporting (MFR 7/2009) Thai Institute of Directors Association (IOD)</li> <li>• Monitoring Fraud Risk Management (MFM 1/2009) Thai Institute of Directors Association (IOD)</li> <li>• Board and Director Performance Evaluation (R-WS workshop 2/2008) Thai Institute of Directors Association (IOD)</li> <li>• Corporate Governance Report of Thai Listed Companies (2007) Thai Listed Companies Association</li> <li>• Monitoring the Internal Audit Function (MIA 1/2007) Thai Institute of Directors Association (IOD)</li> <li>• Audit Committee Program (ACP 17/2007) Thai Institute of Directors Association (IOD)</li> <li>• Role of the Compensation Committee (RCC 1/2006) Thai Institute of Directors Association (IOD)</li> <li>• DCP Refresher Course (3/2006) Thai Institute of Directors Association (IOD)</li> <li>• Director Certification Program (DCP 9/2001) Thai Institute of Directors Association (IOD)</li> </ul>					

\*KKP share holding is included share numbers of spouse and minor children

Name-Surname Present Position	Age:	Education/ Director Training Programs	Family Relationship with the Executive	KKP share holding*	Experience in the Past 5 Years		
					Year	Position	Company Name
5. Mr. Pongtep Polanun  • Independent Director <sup>/1</sup>  <sup>/1</sup> Appointed effective on April 26, 2012	62	<ul style="list-style-type: none"><li>• Master of Business Administration Sasin Graduate Institute of Business Administration of Chulalongkorn University</li><li>• Master of Economics (Financial Economics) The National Institute of Development Administration</li><li>• Bachelor of Economics, Thammasat University</li></ul> <b>Director Training Programs :</b> <ul style="list-style-type: none"><li>• Director Accreditation Program (DAP 36/ 2005)</li></ul> Thai Institute of Directors Association (IOD)	None	488 (0.000)	<b>Kiatnakin Phatra Financial Group</b>		
					2012 – present	Independent Director	Kiatnakin Bank Public Company Limited
					2010 – 2012	Independent Director Member of the Audit Committee	Phatra Capital Public Company Limited
					2003 – 2012	Independent Director Member of the Audit Committee	Phatra Securities Public Company Limited
					<b>Other Listed Companies</b>		
					Feb 2016 - present	Chairman of the Compliance and Governance Committee	Advanced Information Technology Public Company Limited
					2003 – Present	Vice Chairman of the Board of Directors Independent Director Member of the Audit Committee	
					2013 – 2014	Advisor to Managing Director	Muang Thai Insurance Public Company Limited
					2010 – 2011	Advisor to Managing Director	
					2010 – 2011	Director	Krung Thai Bank Public Company Limited
2000 – 2012	Advisor to Managing Director	The Royal Ceramic Industry Public Company Limited					
<b>Non-Listed Companies</b>							
					2007 – present	Director	K S P Square Company Limited
					2010 – 2012	Chairman of the Board of Directors	Krung Thai IBJ Leasing Company Limited

\*KKP share holding is included share numbers of spouse and minor children



Name-Surname Present Position	Age:	Education/ Director Training Programs	Family Relationship with the Executive	KKP share holding*	Experience in the Past 5 Years		
					Year	Position	Company Name
6. Mr. Veravat Chutichetpong • Independent Director <sup>/1</sup>	56	<ul style="list-style-type: none"> <li>Master of Business Administration Stern School of Business, New York University</li> <li>BE in Civil Engineering, Faculty of Engineering, Chulalongkorn University</li> </ul> <b>Director Training Programs :</b> <ul style="list-style-type: none"> <li>Corporate Governance for Capital Market Intermediaries (CGI 15/2016) Thai Institute of Directors Association (IOD)</li> <li>Director Accreditation Program (DAP 4Q/ 2005) Thai Institute of Directors Association (IOD)</li> </ul>	None	2,329,739 (0.275)	<b>Kiatnakin Phatra Financial Group</b>		
					Dec 2016 - present	Independent Director	Kiatnakin Bank Public Company Limited
					2012 - 2013	Director	
					2010 - Nov 2016	Independent Director	Phatra Capital Public Company Limited
					2010 - Nov 2016	Director Chairman of the Audit Committee	Phatra Securities Public Company Limited
					<b>Other Listed Companies</b>		
					Apr 2016 - Present	Director	Central Pattana Public Company Limited
					May 2016 - Present	Member of the Audit Committee	
					<b>Non-Listed Companies</b>		
					2014 - present	Chairman of the Board of Directors	Aksorn Education Public Company Limited
					2010 - present	Director	Alpha Absolute Company Limited

\*KKP share holding is included share numbers of spouse and minor children

<sup>/1</sup> Appointed effective on  
November 30, 2016

Name-Surname Present Position	Age:	Education/ Director Training Programs	Family Relationship with the Executive	KKP share holding*	Experience in the Past 5 Years		
					Year	Position	Company Name
7. Mr. Tamin Chirasoonton • Director <sup>/1</sup> • Member of the Compliance and Governance Committee  <sup>/1</sup> Appointed effective on January 8, 1999	64	<ul style="list-style-type: none"> <li>Bachelor of Law, Ramkhamhaeng University</li> <li><b>Director Training Programs :</b> <ul style="list-style-type: none"> <li>Corporate Governance for Capital Market Intermediaries (CGI 11/2016) Thai Institute of Directors Association (IOD)</li> <li>CG Forum 3/2015 "Risk Oversight : High Priority Roles Of the Board" The Stock Exchange of Thailand</li> <li>CG Forum 1/2015 "CG in Substance Corporate Culture and CG Principles" The Stock Exchange of Thailand</li> <li>Director Certification Program Update (DCPU 1/2014) Thai Institute of Directors Association (IOD)</li> <li>Role of the Nomination and Governance Committee (RNG 1/2011) Thai Institute of Directors Association (IOD)</li> <li>DCP Refresher Course (5/2007) Thai Institute of Directors Association (IOD)</li> <li>Advanced Business Management For Executive Program (ABM Exec 2005) The Continuing Education Center, Chulalongkorn University</li> <li>Public Administration Course (2003) Political Science Faculty, Thammasat University</li> <li>Director Certificate Program (DCP 10/2001) Thai Institute of Directors Association (IOD)</li> <li>Real Estate and Skyscraper Management (1993) Faculty of Architecture, Chulalongkorn University</li> </ul> </li> </ul>	None	100,000 (0.012)	<b>Kiatnakin Phatra Financial Group</b>		
					2011 - present	Member of the Compliance and Governance Committee	Kiatnakin Bank Public Company Limited
					2009 - present	Director	
					2006 - 2009	Independent Director	
					2004 - 2006	Independent Director Chairman of the Nomination and Remuneration Committee	
					2003 - 2004	Independent Director Member of Nomination and Remuneration Committee	Kiatnakin Finance Public Company Limited
					2001 - 2004	Independent Director Chairman of the Audit Committee	
					1999 - 2004	Independent Director Member of the Audit Committee	
					<b>Other Listed Companies</b>		
					None		
					<b>Non-Listed Companies</b>		
					2011 - 2015	Chairman of the Board of Directors	Erawan Law Office Company Limited
					2009 - 2011	Managing Director	

\*KKP share holding is included share numbers of spouse and minor children



Name-Surname Present Position	Age:	Education/ Director Training Programs	Family Relationship with the Executive	KKP share holding*	Experience in the Past 5 Years		
					Year	Position	Company Name
8. Mr. Suraphol Kulsiri • Director <sup>/1</sup> (Authorized director)  <sup>/1</sup> Appointed effective on June 21, 2004	64	<ul style="list-style-type: none"> <li>Bachelor of Business Administration (Marketing), Bangkok University</li> <li><b>Director Training Programs :</b></li> <li>IOD Special Event 6/2016 : Family Business Club Dinner : The Professional Management Succession of Family Business Thai Institute of Directors Association (IOD)</li> <li>CG Forum 2/2016 "Honesty, Caution : Shield for directors" The Stock Exchange of Thailand (SET)</li> <li>Director Certification Program Update (DCPU 5/2015) Thai Institute of Directors Association (IOD)</li> <li>Role of the Nomination and Governance Committee Program (RNG 6/2014) Thai Institute of Directors Association (IOD)</li> <li>Role of the Chairman Program (RCP 23/2010) Thai Institute of Directors Association (IOD)</li> <li>Successful Formulation and Execution of Strategy (SFE 7/2010) Thai Institute of Directors Association (IOD)</li> <li>Role of the Compensation Committee (RCC 3/2007) Thai Institute of Directors Association (IOD)</li> <li>Director Certification Program (DCP 13/2001) Thai Institute of Directors Association (IOD)</li> </ul>	None	97,000 (0.011)	<b>Kiatnakin Phatra Financial Group</b>		
					2005 - present	Director	Kiatnakin Bank Public Company Limited
					2004 - 2005	Director	Kiatnakin Finance Public Company Limited
					<b>Other Listed Companies</b>		
					None		
					<b>Non-Listed Companies</b>		
					2015 - present	Chairman of Disciplinary Sub-Committee	Association of Thai Securities Companies
					2015 - present	Member of Appeal Committee	Thailand Futures Exchange Public Company Limited (TFEX)
					2003 - 2011	Director Chairman of the Executive Committee	KKTRADE Securities Company Limited

\*KKP share holding is included share numbers of spouse and minor children

Name-Surname Present Position	Age:	Education/ Director Training Programs	Family Relationship with the Executive	KKP share holding*	Experience in the Past 5 Years		
					Year	Position	Company Name
9. Mr. Suvit Mapaisansin • Director <sup>/1</sup> (Authorized director) • Member of Nomination and Remuneration Committee  <sup>/1</sup> Appointed effective on September 12, 2012	57	• Master of Business Administration (Finance & International Business) Sasin Graduate Institute of Business Administration of Chulalongkorn University  • Bachelor of Economics, Chulalongkorn University  <b>Director Training Programs :</b> • Corporate Governance for Capital Market Intermediaries (CGI 5/2015) Thai Institute of Directors Association (IOD) • Audit Committee Program (ACP 37/2011) Thai Institute of Directors Association (IOD) • Director Certification Program (DCP 12/2004) Thai Institute of Directors Association (IOD)	None	1,029,406 (0.122)	<b>Kiatnakin Phatra Financial Group</b>		
					May 2016 - present	Member of Nomination and Remuneration Committee	Kiatnakin Bank Public Company Limited
					2012 - present	Director	
					2012 - May 2016	Member of the Executive Committee	
					2010 - present	Director	Phatra Capital Public Company Limited
					2010 - 2012	Executive Director	
					2003 - present	Director	Phatra Securities Public Company Limited
					2009 - 2012	Executive Director	
					2003 - 2009	Chief Executive Officer	
					2012 - 2015	Chairman of the Board of Directors	Phatra Asset Management Company Limited
					<b>Kiatnakin Phatra Financial Group</b>		
					2015 - present	Independent Director Member of the Audit Committee	GMM Grammy Public Company Limited
					2011 - Feb 2017	Independent Director Member of the Audit Committee	Golden Lime Public Company Limited
					2011 - 2012	Chairman of the Audit Committee	Krungthai Card Public Company Limited
					2009 - 2012	Independent Director	
					<b>Non-Listed Companies</b>		
					2015 - present	Director	Techcare International Company Limited
					2009 - present	Director	RPIC Pte. Ltd.
					2008 - present	Director	Ruamphon Phatra Interna- tional Corp.
					2012 - 2015	Chairman of the Board of Directors	KKTRADE Securities Company Limited

\*KKP share holding is included share numbers of spouse and minor children



Name-Surname Present Position	Age:	Education/ Director Training Programs	Family Relationship with the Executive	KKP share holding*	Experience in the Past 5 Years		
					Year	Position	Company Name
10Mr. Banyong Pongpanich • Director <sup>/1</sup> (Authorized director) • Chairman of the Executive Committee • Member of the Risk Management Committee  <sup>/1</sup> Appointed effective on April 26, 2012	62	<ul style="list-style-type: none"> <li>Master of Business Administration (Finance &amp; International Business) Sasin Graduate Institute of Business Administration of Chulalongkorn University</li> <li>Bachelor of Economics, Chulalongkorn University</li> </ul> <b>Director Training Programs :</b> <ul style="list-style-type: none"> <li>Corporate Governance for Capital Market Intermediaries (CGI 15/2016) Thai Institute of Directors Association (IOD)</li> <li>Anti-Corruption for Executive Program (ACEP 2/2012) Thai Institute of Directors Association (IOD)</li> <li>Director Accreditation Program (DAP 36/2005) Thai Institute of Directors Association (IOD)</li> <li>The Role of the Chairman Program (RCP 5/2001) Thai Institute of Directors Association (IOD)</li> </ul>	None	2,000,046 (0.236)	<b>Kiatnakin Phatra Financial Group</b>		
					2012 – present	Director Chairman of the Executive Committee Member of the Risk Management Committee	Kiatnakin Bank Public Company Limited
					2012 – 2015	Chief Executive Officer	
					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
					<b>Other Listed Companies</b>		
					2012 – present	Director	The Erawan Group Public Company Limited
					2004 – 2012	Independent Director	
					2010 – present	Chairman of the Nomination and Remuneration Committee	Muang Thai Insurance Public Company Limited
					2003 – present	Independent Director	
					2008 – 2012	Member of the Audit Committee	
					2008 – 2009	Member of the Risk Management Committee	
					2009 – 2011	Director	Thai Airways International Public Company Limited
					<b>Non-Listed Companies</b>		
					2012 – present	Director Executive Director	Thailand Development Research Institute (TDRI)
					2011 – present	Director Executive Director	Buddhadasa Indapanno Archives
					2009 – present	Director	RPIC Pte. Ltd



Name-Surname Present Position	Age:	Education/ Director Training Programs	Family Relationship with the Executive	KKP share holding*	Experience in the Past 5 Years		
					Year	Position	Company Name
					2008 – present	Director	Ruamphon Phatra International Corp.
					2007 – present	Independent Director Chairman of the Nomination and Remuneration Committee	Don Muang Tollway Public Company Limited
					2002 – present	Director	Cellennium (Thailand) Company Limited
					2002 – present	Director	Squirrel (Thailand) Company Limited
					2002 – present	Director Executive Director	Mae Fah Luang Foundation under Royal Patronage
					2002 – present	Member of Advisory Council	Sasin Graduate Institute of Business Administration of Chulalongkorn University
					2015 – Oct 2016	Director	National Anti-Corruption Committee
					2014 – Oct 2016	Director	State Enterprise Policy Committee
					2014 – Oct 2016	Prime Minister's Advisor	Prime Minister's Office
					2008 – 2011	Capital Market Development Committee	Ministry of Finance
					2008 – 2011	Sub – Committee to formulate Capital Market Development Master plan	
					2008 – 2011	Tax Reformation Committee	
					2003 – 2008	President of Economic Association	Chulalongkorn University

\*KKP share holding is included share numbers of spouse and minor children



Name-Surname Present Position	Age:	Education/ Director Training Programs	Family Relationship with the Executive	KKP share holding*	Experience in the Past 5 Years		
					Year	Position	Company Name
11.Ms. Thitinan Wattanavekin • Director <sup>/1</sup> (Authorized director) • Member of the Executive Committee  <sup>/1</sup> Appointed effective on January 1, 2011	59	<ul style="list-style-type: none"> <li>Master of Management Sasin Graduate Institute of Business Administration of Chulalongkorn University</li> <li>Bachelor of Science (Public Affairs), University of Southern California, U.S.A.</li> <li><b>Director Training Programs :</b> <ul style="list-style-type: none"> <li>Anti-Corruption : The Practical Guide (ACPG 33/2016)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>OD Special Event 6/2016 : Family Business Club Dinner : The Professional Management Succession of Family Business</li> <li>Thai Institute of Directors Association (IOD)</li> <li>Director Certification Program Update (DCPU 5/2015)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>Corporate Governance for Capital Market Intermediaries (CGI 8/2015)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>Role of the Nomination and Governance Committee Program (RNG 6/2014)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>Financial Institutions Governance Program (FGP 5/2012)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>Financial Planning for Executive (2012)</li> <li>Thai Financial Planners Association</li> <li>Current Issue Seminar (R-CIS 1/2008)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>Corporate Governance and Social Responsibility (CSR 1/2007)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>Capital Market for Executives (CMA 2/2006)</li> <li>Capital Market Academy</li> <li>Board Performance Evaluation (2006)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>DCP Refresher Course (1/2005)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>Directors Certification Program (DCP 1/2000)</li> <li>Thai Institute of Directors Association (IOD)</li> </ul> </li> </ul>	Mr. Supol Wattanavekin's sister	35,532,761 (4,196)	<b>Kiatnakin Phatra Financial Group</b>		
					2012 - present	Director	Kiatnakin Bank Public Company Limited
					2005 - present	Member of the Executive Committee	
					2012 - 2015	First Executive Vice President	
					2011 - 2014	Head of Priority Banking Group	
					2011 - 2012	Member of the Risk Management Committee	
					2012 - present	Director	Phatra Capital Public Company Limited
					2012 - May 2016	Director	Phatra Securities Public Company Limited
					<b>Other Listed Companies</b>		
					None		
					<b>Non-Listed Companies</b>		
					1999 - 2013	Director	KKTRADE Securities Company Limited
					2006 - 2011	Director	Chai Talay Hotel Company Limited

\*KKP share holding is included share numbers of spouse and minor children

Name-Surname Present Position	Age:	Education/ Director Training Programs	Family Relationship with the Executive	KKP share holding*	Experience in the Past 5 Years		
					Year	Position	Company Name
12.Mr. Aphinant Klewpatinond  • Director <sup>/1</sup> (Authorized director)  • President <sup>/2</sup>  • Chief Executive Officer <sup>/3</sup> • Member of the Executive Committee  • Member of the Risk Management Committee  <sup>/1</sup> Appointed effective on September 12, 2012 <sup>/2</sup> Appointed effective on April 1, 2013 <sup>/3</sup> Appointed effective on January 1, 2016	47	<ul style="list-style-type: none"> <li>Master of Science, University of Maryland at College Park, U.S.A.</li> <li>Master of Business Administration (Finance), University of Maryland at College Park, U.S.A</li> <li>Bachelor of Accounting, Chulalongkorn University</li> </ul> <b>Director Training Programs :</b> <ul style="list-style-type: none"> <li>Corporate Governance for Capital Market Intermediaries (CGI 15/2016)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>Directors Accreditation Program (DAP 82/2010)</li> <li>Thai Institute of Directors Association (IOD)</li> </ul>	None	550,000 (0.065)	<b>Kiatnakin Phatra Financial Group</b>		
					Jan 2016 - present	Chief Executive Officer and President	Kiatnakin Bank Public Company Limited
					2012 - present	Director Member of the Executive Committee Member of the Risk Management Committee	
					2013 - May 2016	President and Chairman of Commercial Banking Business	
					2012 - 2013	Chairman of Capital Market Business and President	
					Jun 2016 - present	Chief Executive Officer	Phatra Capital Company Limited
					2010 - present	Director	
					2010 - 2012	Chief Executive Officer	
					Jun 2016 - present	Chief Executive Officer	Phatra Securities Public Company Limited
					2010 - present	Director	
					2009 - 2012	Chief Executive Officer	
					2007 - 2009	Managing Director (Head of Investment Banking Department )	
					2015 - present	Chairman of the Board of Directors	Phatra Asset Management Company Limited
					2012 - present	Director	
					<b>Other Listed Companies</b>		
	2011 - 2013	Independent Director Member of the Audit Committee					Siracha Construction Public Company Limited



Name-Surname Present Position	Age:	Education/ Director Training Programs	Family Relationship with the Executive	KKP share holding*	Experience in the Past 5 Years		
					Year	Position	Company Name
					Non-Listed Companies		
					2009 – present	Director	RPIC Pte. Ltd.
					2014 - present	Director	Thai Bankers' Association
					2015 - present	Director	Thai Listed Companies Association
					2015 – Jul 2016	Chairman of the Board of Directors	KKTRADE Securities Company Limited
					2012 – 2015	Director	

\*KKP share holding is included share numbers of spouse and minor children

Name-Surname Present Position	Age:	Education/ Director Training Programs	Family Relationship with the Executive	KKP share holding*	Experience in the Past 5 Years		
					Year	Position	Company Name
13. Mrs. Kulnan Tsanhaiwo • First Executive Vice President • Head of Priority Banking Group <sup>/1</sup>	52	<ul style="list-style-type: none"> <li>Master of Science in Computer Information System (MSCIS), New Hampshire, USA</li> <li>Master of Business Administration Sasin Graduate Institute of Business Administration of Chulalongkorn University</li> <li>Bachelor of Political Science, Chulalongkorn University</li> </ul> <b>Director Training Programs :</b> <ul style="list-style-type: none"> <li>IOD Special Event 6/2016 : Family Business Club Dinner : The Professional Management Succession of Family Business Thai Institute of Directors Association (IOD)</li> <li>Corporate Governance for Capital Market Intermediaries (CGI 8/2015) Thai Institute of Directors Association (IOD)</li> <li>Corporate Governance for Executives (CGE 3//2015) Thai Institute of Directors Association (IOD)</li> <li>Director Accreditation Program (DAP 37/2005) Thai Institute of Directors Association (IOD)</li> </ul>	None	None	<b>Kiatnakin Phatra Financial Group</b>		
					Jun 2014 - Present	First Executive Vice President (Head of Priority Banking Group)	Kiatnakin Bank Public Company Limited
					2012 - present	Managing Director (Head of Private Client Group)	Phatra Securities Public Company Limited
					1999 - 2005	Head of Private Client	Merrill Lynch Phatra Securities Company Limited
					1994 - 1997	Head of Private Client	
					1990 - 1994	Head of Equity Capital Market	Phatra Securities Company Limited
					<b>Other Listed Companies</b>		
					None		
					<b>Non-Listed Companies</b>		
					2013 - present	Director	Princess Magg Foundation
					2012 - Jul 2016	Director Member of the Audit Committee	KKTRADE Securities Company Limited

\*KKP share holding is included share numbers of spouse and minor children

<sup>/1</sup> Appointed effective on June 1, 2014



Name-Surname Present Position	Age:	Education/ Director Training Programs	Family Relationship with the Executive	KKP share holding*	Experience in the Past 5 Years		
					Year	Position	Company Name
14. Mr. Chatchai Dusadenoad  • First Executive Vice President  • Head of Information Technology Group <sup>/1</sup>	49	<ul style="list-style-type: none"> <li>Master of Science, Computer Science, San Jose State University, USA</li> <li>Bachelor of Engineering (Computer Engineering), Chulalongkorn University</li> </ul> <b>Director Training Programs :</b> <ul style="list-style-type: none"> <li>IT Project Management (2014) CMB Thai Bank Public Company Limited</li> </ul>	None	None	<b>Kiatnakin Phatra Financial Group</b>		
					2015 - present	First Executive Vice President (Head of Information Technology Group)	Kiatnakin Bank Public Company Limited
					<b>Other Listed Companies</b>		
					2011 - 2015	Senior Vice President	CMB Thai Bank Public Company Limited
					<b>Non-Listed Companies</b>		
					2015 - present	Director	Core Company Limited
					2015 - present	Director	Iconic Men Company Limited
					2008 - 2011	Sr. Project Manager / Program Manager	IBM Thailand Company Limited

\*KKP share holding is included share numbers of spouse and minor children

Name-Surname Present Position	Age:	Education/ Director Training Programs	Family Relationship with the Executive	KKP share holding*	Experience in the Past 5 Years					
					Year	Position	Company Name			
15.Mr. Chavalit Chindavanig  • First Executive Vice President  • Head of Finance & Budgeting Group <sup>/1</sup>  • Member of the Risk Management Committee  <sup>/1</sup> Appointed effective on July 23, 2007	53	<ul style="list-style-type: none"><li>• Master of Business Administration, Eastern Michigan University, U.S.A.</li><li>• Bachelor of Engineering (Mechanical Engineering), Chulalongkorn University</li></ul> <b>Director Training Programs :</b> <ul style="list-style-type: none"><li>• Director Certification Program Update (DCPU 5/2015)</li><li>• Thai Institute of Directors Association (IOD)</li><li>• Corporate Governance for Capital Market Intermediaries (CGI 4/2015)</li><li>• Thai Institute of Directors Association (IOD)</li><li>• Monitoring the System of Internal Control and Risk Management (MIR 12/2012)</li><li>• Thai Institute of Directors Association (IOD)</li><li>• Monitoring the Quality of Financial Reporting (MFR 15/2012)</li><li>• Thai Institute of Directors Association (IOD)</li><li>• Monitoring the Internal Audit Function (MIA 11/2011)</li><li>• Thai Institute of Directors Association (IOD)</li><li>• Monitoring Fraud Risk Management (MFM 6/2011)</li><li>• Thai Institute of Directors Association (IOD)</li><li>• Audit Committee Program (ACP 37/2011)</li><li>• Thai Institute of Directors Association (IOD)</li><li>• TLCA Executive Development Program (EDP 2/2008)</li><li>• Thai Listed Companies Association</li><li>• Directors Certification Program (DCP 76/2006)</li><li>• Thai Institute of Directors Association (IOD)</li><li>• Director Accreditation Program (DAP 21/2004)</li><li>• Thai Institute of Directors Association (IOD)</li></ul>	None	375,000 (0.044)	<b>Kiatnakin Phatra Financial Group</b>					
					2012 - present	First Executive Vice President (Head of Finance & Budgeting)	Kiatnakin Bank Public Company Limited			
					2007 - present	Member of the Risk Management Committee				
					2007 - 2012	Member of the Executive Committee				
					2011 - 2012	Head of Strategy and Organization Development				
					2012 - present	Director	Phatra Capital Public Company Limited			
					May 2016 - present	Member of the Audit Committee	Phatra Securities Public Company Limited			
					2012 - present	Director				
					2011 - present	Director Member of the Audit Committee	Phatra Asset Management Company Limited			
					<b>Other Listed Companies</b>					
					None					
					<b>Non-Listed Companies</b>					
					2009 - Jun 2016	Director	Erawan Law Office Company Limited			
					2010 - Jul 2016	Member of the Audit Committee	KKTRADE Securities Company Limited			
					2009 - Jul 2016	Director				

\*KKP share holding is included share numbers of spouse and minor children





Name-Surname Present Position	Age:	Education/ Director Training Programs	Family Relationship with the Executive	KKP share holding*	Experience in the Past 5 Years		
					Year	Position	Company Name
16.Mr. Therapong Vachirabong • First Executive Vice President • Head of Corporate Strategy <sup>/1</sup>	51	<ul style="list-style-type: none"> <li>• Master of Business Administration (Finance), Western International University at Arizona, U.S.A.</li> <li>• Bachelor in Accounting and Finance, Thammasat University</li> </ul>	None	580 (0,000)	<b>Kiatnakin Phatra Financial Group</b>		
					Jun 2016 - present	First Executive Vice President (Head of Corporate Strategy)	Kiatnakin Bank Public Company Limited
					2009 - present	Managing Director (Head of Equity Research Department)	Phatra Securities Public Company Limited
					<b>Other Listed Companies</b>		
					None		
					<b>Non-Listed Companies</b>		
					None		

<sup>/1</sup> Appointed effective on June 3, 2016

\*KKP share holding is included share numbers of spouse and minor children

Name-Surname Present Position	Age:	Education/ Director Training Programs	Family Relationship with the Executive	KKP share holding*	Experience in the Past 5 Years		
					Year	Position	Company Name
17.Mr. Norachet Sangruji • First Executive Vice President • Head of Corporate Banking Group <sup>/1</sup> • Member of the Risk Management Committee	54	<ul style="list-style-type: none"> <li>• Master of Business Administration (Finance &amp; Marketing), Syracuse University, U.S.A.</li> <li>• Master of Science in Electrical Engineering (Telecommunication), Syracuse University, U.S.A.</li> <li>• Bachelor of Engineering (Electrical Engineering), Chulalongkorn University</li> </ul> <b>Director Training Programs :</b> <ul style="list-style-type: none"> <li>• Corporate Governance for Capital Market Intermediaries (CGI 7/2015) Thai Institute of Directors Association (IOD)</li> <li>• Director Accreditation (DAP 36/2005) Thai Institute of Directors Association(IOD)</li> </ul>	None	1,570,000 (0.185)	<b>Kiatnakin Phatra Financial Group</b>		
					May 2015 - present	First Executive Vice President (Head of Corporate Banking Group) Member of the Risk Management Committee	Kiatnakin Bank Public Company Limited
					2013 - present	Director	Phatra Capital Public Company Limited
					2010 - 2012	Executive Director	
					2004 - present	Director	Phatra Securities Public Company Limited
					2007 - 2012	Executive Director	
<sup>/1</sup> Appointed effective on May 15, 2015					2005 - 2007	Managing Director (Head of Investment Banking Group)	
					<b>Other Listed Companies</b>		
					None		
					<b>Non-Listed Companies</b>		
					2000 - present	Director	Pantavanij Company Limited
					1990 - present	Director	Kasetsin Company Limited
					2011 - present	Mutual Fund working group	Association of Thai Securities Companies
					2011 - present	Derivatives and Warrants working group	
					2009 - present	Sub-Committee of Drafting on Announcements Regarding Issuance and offering of Securities-Equity	
					2009 - present	Sub-Committee of Self-Regulatory organization	
					2009 - present	Head of Investment Banking Club	

\*KKP share holding is included share numbers of spouse and minor children



Name-Surname Present Position	Age:	Education/ Director Training Programs	Family Relationship with the Executive	KKP share holding*	Experience in the Past 5 Years		
					Year	Position	Company Name
18.Mr. Pracha Chumnarnkitkosol <ul style="list-style-type: none"><li>First Executive Vice President</li><li>Head of Special Asset Management Group <sup>/1</sup></li><li>Member of the Executive Committee</li></ul> <sup>/1</sup> Appointed effective on October 1, 2012	54	<ul style="list-style-type: none"><li>Master of Business Administration (Finance), University of Texas Arlington, U.S.A.</li><li>Bachelor of Engineering, Chulalongkorn University</li></ul> <b>Director Training Programs :</b> <ul style="list-style-type: none"><li>Director Certification Program Update (DCPU 5/2015)</li><li>Thai Institute of Directors Association (IOD)</li><li>Corporate Governance for Capital Market Intermediaries (CGI 7/2015 )</li><li>Thai Institute of Directors Association (IOD)</li><li>TLCA Executive Development Program (EDP 8/2011)</li><li>Thai Listed Companies Associations</li><li>Senior Executive Program (SEP- 22/2008)</li><li>Sasin Graduate Institute of Business Administration of Chulalongkorn University</li><li>Overview of Current Macro Economic Condition Prudential Regulation -Impact to Thai Corporation (2007)</li><li>The Thai Banker’s Association</li><li>Blue Ocean Strategy (2007)</li><li>Business Development Center</li><li>EVA : Managing for Value Creation (2006)</li><li>Sasin Graduate Institute of Business Administration of Chulalongkorn University</li><li>Director Certification Program (DCP 75/2006)</li><li>Thai Institute of Directors Association (IOD)</li><li>Risk Management (2005)</li><li>The Thai Institute of Banking and Finance Association</li></ul>	None	None	<b>Kiatnakin Phatra Financial Group</b>		
					2012 - Present	First Executive Vice President (Head of Special Asset Management Group)	Kiatnakin Bank Public Company Limited
					2011 - present	Member of the Executive Committee	
					2013 – Apr 2016	Director	
					2006 - 2015	Member of the Risk Management Committee	
					2006 - 2012	Director	
					2006 - 2011	Head of the Risk Management Committee	
					2012 – 2015	Director	Phatra Capital Public Company Limited
					2012 - 2015	Director	Phatra Securities Public Company Limited
					<b>Other Listed Companies</b>		
None							
<b>Non-Listed Companies</b>							
None							

\*KKP share holding is included share numbers of spouse and minor children

Name-Surname Present Position	Age:	Education/ Director Training Programs	Family Relationship with the Executive	KKP share holding*	Experience in the Past 5 Years		
					Year	Position	Company Name
19. Mr. Preecha Techarungchaikul • First Executive Vice President • Head of Financial Markets Group <sup>/1</sup>	46	<ul style="list-style-type: none"> <li>Master of Science (Finance), University of Colorado at Denver, U.S.A</li> <li>Bachelor of Business Administration (Industrial Management), Thammasat University</li> </ul>	None	None	<b>Kiatnakin Phatra Financial Group</b>		
					2013 – present	First Executive Vice President (Head of Financial Markets Group)	Kiatnakin Bank Public Company Limited
					<b>Other Listed Companies</b>		
					2009 - 2011	Head of Trading	Siam Commercial Bank Public Company Limited
					<b>Non-Listed Companies</b>		
					2011 - 2013	Head of Markets	Royal Bank of Scotland, Bangkok Branch
					2000 - 2009	Head of Rates Trading	The Hongkong and Shanghai Banking Corporation Limited, Bangkok Branch

\*KKP share holding is included share numbers of spouse and minor children

<sup>/1</sup> Appointed effective on  
March 6, 2013



Name-Surname Present Position	Age:	Education/ Director Training Programs	Family Relationship with the Executive	KKP share holding*	Experience in the Past 5 Years		
					Year	Position	Company Name
20. Dr. Popanit Poommarapan  • First Executive Vice President  • Head of Risk Management Group <sup>/1</sup>  <sup>/1</sup> Appointed effective on October 1, 2012	54	<ul style="list-style-type: none"><li>• Ph.D. (Engineering Management), Missouri University of Science and Technology, U.S.A.</li><li>• Operations Research, Wichita State University, KS, U.S.A.</li><li>• Master of Science (Engineering Management), University of Louisiana at Lafayette, U.S.A.</li><li>• Bachelor of Engineering (Electrical Engineering), Chulalongkorn University</li></ul> <b>Director Training Programs :</b> <ul style="list-style-type: none"><li>• Risk Management Committee Program (RMC 1/2013)</li><li>Thai Institute of Directors Association (IOD)</li></ul>	None	None	<b>Kiatnakin Phatra Financial Group</b>		
					2012 - present	First Executive Vice President (Head of Risk Management Group)	Kiatnakin Bank Public Company Limited
					July 2016 - present	Director	Phatra Asset management (Cayment) Limited
					2008 - 2012	Assistant Managing Director	Phatra Securities Public Company Limited
					<b>Other Listed Companies</b>		
None							
<b>Non-Listed Companies</b>							
None							

<sup>/1</sup> Appointed effective on October 1, 2012

\*KKP share holding is included share numbers of spouse and minor children

Name-Surname Present Position	Age:	Education/ Director Training Programs	Family Relationship with the Executive	KKP share holding*	Experience in the Past 5 Years		
					Year	Position	Company Name
21.Mr. Pansalit Trakarnkitvichit	52	<ul style="list-style-type: none"><li>• Master of Business Administration, Woodbury University, U.S.A.</li><li>• Bachelor of Economics, California State University, U.S.A.</li></ul> <b>Director Training Programs :</b> <ul style="list-style-type: none"><li>• Cash Management Ace (1999) Citibank</li><li>• Intermediate Risk (1998) Citibank</li><li>• Trade Finance Products (1993) Bangkok Bank</li><li>• Financial Analysis for FI (1993) JP Morgan</li></ul>	None	None	<b>Kiatnakin Phatra Financial Group</b>		
					2014 - present	First Executive Vice President (Head of Credit Analysis Group) Member of Risk Management Committee	Kiatnakin Bank Public Company Limited
					<b>Other Listed Companies</b>		
					None		
/1 Appointed effective on November 1, 2014					<b>Non-Listed Companies</b>		
					2009 - 2012	President	Southeast Capital Company Limited

\*KKP share holding is included share numbers of spouse and minor children



Name-Surname Present Position	Age:	Education/ Director Training Programs	Family Relationship with the Executive	KKP share holding*	Experience in the Past 5 Years		
					Year	Position	Company Name
22.Mr. Pattarapong Raktabutr  • First Executive Vice President  • Head of Alternative Distribution Channel Group <sup>/1</sup>  <sup>/1</sup> Appointed effective on December 1, 2015	49	<ul style="list-style-type: none"><li>• Master of Business Administration, University of Louisville, USA</li><li>• Bachelor of Political Science Public Administrations, Thammasat University</li></ul> <b>Director Training Programs :</b> <ul style="list-style-type: none"><li>• Leading Across Boundaries (2009) University of Oxford</li><li>• Sales School (1995) Digital Equipment Corporation</li><li>• Customer QualityRelation &amp; Service (1994) Telecom Asia Corporation Plc.</li></ul>	None	None	<b>Kiatnakin Phatra Financial Group</b>		
					2015 - present	First Executive Vice President (Head of Alternative Distribution Channel Group)	Kiatnakin Bank Public Company Limited
					<b>Other Listed Companies</b>		
					2004 - 2015	Executive Vice President (Head of Client Acquisition)	Standard Chartered Bank (Thai) Public Company Limited
					<b>Non-Listed Companies</b>		
			None				

\*KKP share holding is included share numbers of spouse and minor children

Name-Surname Present Position	Age:	Education/ Director Training Programs	Family Relationship with the Executive	KKP share holding*	Experience in the Past 5 Years		
					Year	Position	Company Name
23.Mrs. Patraporn Milindasuta <ul style="list-style-type: none"><li>First Executive Vice President</li><li>Chief Governance Officer <sup>/1</sup></li><li>Member of the Executive Committee</li><li>Member of the Compliance and Governance Committee</li><li>Member of the Risk Management Committee</li></ul>	53	<ul style="list-style-type: none"><li>Master of Laws, Chulalongkorn University</li><li>Bachelor of Laws, Thammasat University</li><li>Barrister-at-Law, The Thai Bar under the royal patronage</li></ul> <b>Director Training Programs :</b> <ul style="list-style-type: none"><li>ASEAN Corporate Secretaries Professional Exchange Programme (PEP) to Hong Kong (2016)</li><li>The Hong Kong Institute of Chartered Secretaries</li><li>CG Forum 2/2016 "Honesty, Caution : Shield for directors" The Stock Exchange of Thailand (SET)</li><li>CG Forum 1/2016 "Ethics : Corporate Governance Conscious" The Stock Exchange of Thailand (SET)</li><li>Corporate Governance for Capital Market Intermediaries (CGI 8/2015) Thai Institute of Directors Association (IOD)</li><li>Compliance Officer (7/2014) Faculty of Law, Chulalongkorn University</li><li>TLCA Executive Development Program (EDP 2008) Thai Listed Companies Association</li><li>The Advanced Senior Executive Program (ASEP 2007) Sasin Graduate Institute of Business Administration of Chulalongkorn University</li><li>Company Secretary Program (CSP 12/2005) Thai Institute of Directors Association (IOD)</li></ul>	None	None	<b>Kiatnakin Phatra Financial Group</b>		
					May 2016 - present	Member of the Executive Committee	Kiatnakin Bank Public Company Limited
					2013 - present	First Executive Vice President Chief Governance Officer Member of the Compliance and Governance Committee Member of the Risk Management Committee	
					2014 - Apr 2016	Director	
					Apr - Sep 2012	Director	
					2012 – present	Director	Phatra Capital Public Company Limited
					2013 - 2014	Managing Director Chief Administrative Officer	Phatra Capital Public Company Limited
					Feb - Apr 2013	Acting President	
					2011 - 2013	Managing Director Chief Administrative Officer	
					2012 – present	Director	Phatra securities Public Company Limited
					Feb - Apr 2013	Acting President	
					2007 - 2013	Managing Director Chief Administrative Officer	
					2012 – present	Director	Phatra Asset Management Company Limited
<b>Other Listed Companies</b>							
None							

<sup>/1</sup> Appointed effective on June 13, 2013





Name-Surname Present Position	Age:	Education/ Director Training Programs	Family Relationship with the Executive	KKP share holding*	Experience in the Past 5 Years		
					Year	Position	Company Name
					Non-Listed Companies		
					Apr 2016 - present	Advisor	The Capital Law Office Limited
					Jun 2014 - present	Chairperson	Thai Company Secretary Club
					2009 - present	Director	RPIC Pte. Ltd.
					2012 - Jul 2016	Director	KKTRADE Securities Company Limited
					2015 - May 2016	Director	Erawan Law Office Company Limited

\*KKP share holding is included share numbers of spouse and minor children

Name-Surname Present Position	Age:	Education/ Director Training Programs	Family Relationship with the Executive	KKP share holding*	Experience in the Past 5 Years		
					Year	Position	Company Name
24.Mr. Manit Wannavanit  • First Executive Vice President  • Head of Sales Distribution Group <sup>/1</sup>  <sup>/1</sup> Appointed effective on September 4, 2012	50	<ul style="list-style-type: none"><li>• Master of Public Administration National Institute of Development Administration</li><li>• Bachelor of Economics, Ramkhamhaeng University</li></ul> <b>Director Training Programs :</b> <ul style="list-style-type: none"><li>• Director Certification Program (DCP 145/2011) Thai Institute of Directors Association (IOD)</li></ul>	None	15,000 (0.002)	<b>Kiatnakin Phatra Financial Group</b>		
					2012 - present	First Executive Vice President (Head of Sales Distribution Group)	Kiatnakin Bank Public Company Limited
					<b>Other Listed Companies</b>		
					Apr - Aug 2012	Executive Vice President, Provincial Branch Business Division, Distribution Group	Bank of Ayudhya Public Company Limited
					2010 - Apr 2012	Senior Vice President	
					2008 - 2010	Regional Manager	
					2007 - 2008	Deputy Regional Manager	
<b>Non-Listed Companies</b>							
None							

\*KKP share holding is included share numbers of spouse and minor children

<sup>/1</sup> Appointed effective on  
September 4, 2012



Name-Surname Present Position	Age:	Education/ Director Training Programs	Family Relationship with the Executive	KKP share holding*	Experience in the Past 5 Years		
					Year	Position	Company Name
25. Mr. Worrakrit Jaruwongpak  • First Executive Vice President  • Head of Operations Group <sup>/1</sup>  <sup>/1</sup> Appointed effective on January 16, 2014	55	<ul style="list-style-type: none"> <li>• Doctor of Business Administration, Western University</li> <li>• Master of Business Administration National Institute of Development Administration</li> <li>• Bachelor of Economics, ChiangMai University</li> </ul> <b>Director Training Programs :</b> <ul style="list-style-type: none"> <li>• Directors Certification Program (DCP 179/2013) Thai Institute of Directors Association (IOD)</li> <li>• Financial Institutions Governance Program (FGP 5/2012) Thai Institute of Directors Association (IOD)</li> </ul>	None	None	<b>Kiatnakin Phatra Financial Group</b>		
					2014 - present	First Executive Vice President (Head of Operations Group)	Kiatnakin Bank Public Company Limited
					<b>Other Listed Companies</b>		
					2010 - 2014	Executive Vice President	Bank of Ayudhya Public Company Limited
					<b>Non-Listed Companies</b>		
					2015 - present	Chairman of the Board of Directors	C M I C Development Company Limited
					2009 - Jun 2016	Director	Erawan Law Office Company Limited
					2009 - 2013	Director	National ITMX Company Limited

\*KKP share holding is included share numbers of spouse and minor children

Name-Surname Present Position	Age:	Education/ Director Training Programs	Family Relationship with the Executive	KKP share holding*	Experience in the Past 5 Years		
					Year	Position	Company Name
26.Mr. Sarawut Charuchinda	58	<ul style="list-style-type: none"> <li>Master of Business Administration (Finance), University of Mississippi, U.S.A.</li> <li>Bachelor of Accountancy (2<sup>nd</sup> Class Honors), Chulalongkorn University</li> </ul> <b>Director Training Programs :</b> <ul style="list-style-type: none"> <li>Advanced Audit Committee Program (AAP 19/2015)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>Directors Certification Program (DCP 31/2003)</li> <li>Thai Institute of Directors Association (IOD)</li> </ul>	None	170,000 (0.020)	<b>Kiatnakin Phatra Financial Group</b>		
					2012 - present	First Executive Vice President (Head of Commercial Lending Group)	Kiatnakin Bank Public Company Limited
					2005 - 2012	Head of Debt Restructuring Member of the Executive Committee Member of the Risk Management Committee	
					<b>Other Listed Companies</b>		
					Oct 2016 - present	Independent Director Chairman of Audit Committee Member of Nomination and Remuneration Committee	BT Wealth Industries Public Company Limited
					2012 - present	Independent Director Member of the Audit Committee	Union Auction Public Company Limited
					<b>Non-Listed Companies</b>		
					Mar 2016 - present	Chairman of the Audit committee Independent Director	Chic Republic Company Limited
					2013 - present	Chairman of the Audit committee Independent Director	Thai Packaging Industry Public Company Limited
					2011 - May 2016	Director Managing Director	Erawan Law Office Company Limited

\*KKP share holding is included share numbers of spouse and minor children



Name-Surname Present Position	Age:	Education/ Director Training Programs	Family Relationship with the Executive	KKP share holding*	Experience in the Past 5 Years		
					Year	Position	Company Name
27. Dr. Anuchit Anuchitanukul • First Executive Vice President • Head of Process & Product Improvement and Alternative Channels Group <sup>/1</sup> • Member of the Executive Committee	45	<ul style="list-style-type: none"> <li>• Ph.D. (Computer Science), Stanford University, U.S.A.</li> <li>• Master of Engineering (Computer Science), Stanford University, U.S.A.</li> <li>• Master of Business Administration (Finance), Chulalongkorn University</li> <li>• Bachelor of Engineering (1<sup>st</sup> Class Honors), Chulalongkorn University</li> </ul> <b>Director Training Programs :</b> <ul style="list-style-type: none"> <li>• Strategy and Innovation for Businesses in Asia (SIBA 2012)</li> <li>• Massachusetts Institute of Technology (MIT), College Of Management Mahidol University</li> <li>• Office Of Insurance Commission (OIC) (2012)</li> <li>• OIC Advanced Insurance Institute (OIC AI)</li> <li>• Top Executive Program in Commerce and Trade (TEPCoT 2011)</li> <li>• University of the Thai Chamber of Commerce</li> <li>• TLCA Executive Development Program (EDP 2009)</li> <li>• Thai Listed Companies Association</li> <li>• Directors Certification Program (DCP 93/2007)</li> <li>• Thai Institute of Directors Association (IOD)</li> </ul>	None	None	<b>Kiatnakin Phatra Financial Group</b>		
					May 2016 - present	Member of the Executive Committee	Kiatnakin Bank Public Company Limited
					2013 - present	First Executive Vice President (Head of Process & Product Improvement and Alternative Channels Group)	
					<b>Other Listed Companies</b>		
					2014 - present	Director	Aksorn Education Public Company Limited
					2010 - 2013	Senior Executive Vice President	Krungthai Bank Public Company Limited
					2010 - 2013	Director	Krungthai AXA Life Insurance Public Company Limited
					2009 - 2013	Director	Krungthai Panich Insurance Public Company Limited
					<b>Non-Listed Companies</b>		
					2009 - 2013	Director	National ITMX Company Limited

\*KKP share holding is included share numbers of spouse and minor children

<sup>/1</sup> Appointed effective on July 2, 2013

Name-Surname Present Position	Age:	Education/ Director Training Programs	Family Relationship with the Executive	KKP share holding*	Experience in the Past 5 Years		
					Year	Position	Company Name
28. Mr. Krittiya Veeraburus <ul style="list-style-type: none"> <li>Member of the Executive Committee <sup>/1</sup></li> <li>Member of the Risk Management Committee</li> </ul> <sup>/1</sup> Appointed effective on October 15, 2012	47	<ul style="list-style-type: none"> <li>Master of Business Administration (Finance &amp; Investment), Golden Gate University, U.S.A.</li> <li>Bachelor of Business Administration (Management), Chulalongkorn University</li> </ul> <b>Director Training Programs :</b> <ul style="list-style-type: none"> <li>Corporate Governance for Capital Market Intermediaries (CGI 14/2016) Thai Institute of Directors Association (IOD)</li> <li>Top Executive program (18/2014) Capital Academy</li> <li>Director Accreditation Program (DAP 73/2008) Thai Institute of Directors Association (IOD)</li> </ul>	None	172 (0.000)	<b>Kiatnakin Phatra Financial Group</b>		
					2012 – present	Member of the Executive Committee Member of the Risk Management Committee	Kiatnakin Bank Public Company Limited
					2013 - Nov 2016	Director	
					2013 - May 2016	Chairman of Capital Market Business	
					2012 - May 2016	First Executive Vice President, (Head of Corporate Strategy)	
					Apr - Sep 2012	Director	
					2013 - present	Director	Phatra Capital Public Company Limited
					2013 - May 2016	President	
					2012 - 2013	Managing Director (Head of Investment and trading Group)	
					2011 – 2012	Managing Director (Head of Direct Investment department)	
					2013 - present	Director	Phatra Securities Public Company Limited
					Jun 2016 - present	Managing Director (Head of Investment and trading Group)	
					2013 - May 2016	President	
					2012 - 2013	Managing Director (Head of Investment and trading Group)	
					2013 – present	Director	Phatra Asset Management Company Limited



Name-Surname Present Position	Age:	Education/ Director Training Programs	Family Relationship with the Executive	KKP share holding*	Experience in the Past 5 Years		
					Year	Position	Company Name
					Other Listed Companies		
					None		
					Non-Listed Companies		
					2006 – present	Director	The Palm Cha Am Company Limited
					2014 – May 2016	Director	Association of Securities Companies
					2013 – Jul 2016	Director	KKTRADE Securities Company Limited

\*KKP share holding is included share numbers of spouse and minor children

Name-Surname Present Position	Age:	Education/ Director Training Programs	Family Relationship with the Executive	KKP share holding*	Experience in the Past 5 Years		
					Year	Position	Company Name
29.Mrs. Patchanee Limapichat  • Member of the Executive Committee <sup>/1</sup>	54	<ul style="list-style-type: none"><li>• Master of Business Administration, California State University at Sacramento, U.S.A.</li><li>• Bachelor in Political Science, Chulalongkorn University</li></ul> <b>Director Training Programs :</b> <ul style="list-style-type: none"><li>• Corporate Governance for Capital Market Intermediaries (CGI 7/2015) Thai Institute of Directors Association (IOD)</li><li>• Director Accreditation Program (DAP 36/2005) Thai Institute of Directors Association (IOD)</li></ul>	None	100,000 (0.012)	<b>Kiatnakin Phatra Financial Group</b>		
					Jun 2016 - Present	Member of the Executive Committee	Kiatnakin Bank Public Company Limited
					2010 - Present	Director	Phatra Capital Public Company Limited
					Jun 2016 - present	Executive vice president	Phatra Securities Public Company Limited
					2004 - Present	Director Managing Director	
					<b>Other Listed Companies</b>		
					None		
					<b>Non-Listed Companies</b>		
					None		

\*KKP share holding is included share numbers of spouse and minor children

<sup>/1</sup> Appointed effective on  
June 6, 2016





Name-Surname Present Position	Age:	Education/ Director Training Programs	Family Relationship with the Executive	KKP share holding*	Experience in the Past 5 Years		
					Year	Position	Company Name
30.Ms. Nilawan Treetitjamroon	43	<ul style="list-style-type: none"><li>• Master of Art (Applied Finance), Kasetart University</li><li>• Bachelor of Accountancy, Bangkok University</li><li>• Certified Public Accountant registration No. 8140</li></ul>	None	None	<b>Kiatnakin Phatra Financial Group</b>		
					2015 – present	Senior Vice President Department (Head of Accounting)	Kiatnakin Bank Public Company Limited
					2008 - 2012	Vice President Department of Accounting	
					<b>Other Listed Companies</b>		
					None		
/1 Appointed effective on January 1, 2015					<b>Non-Listed Companies</b>		
					2013 – 2014	Senior Vice President Department of Accounting	Powerbuy Company Limited, a group company of Central Retail Corporation Limited

<sup>/1</sup> Appointed effective on  
January 1, 2015

\*KKP share holding is included share numbers of spouse and minor children

Name-Surname Present Position	Age:	Education/ Director Training Programs	Family Relationship with the Executive	KKP share holding*	Experience in the Past 5 Years		
					Year	Position	Company Name
31. Ms. Pornpip Chuprakhun • Corporate Secretary <sup>/1</sup> • Senior Vice President • Department Head of Office of Corporate Secretariat	48	<ul style="list-style-type: none"> <li>• Master of Business Administration, Assumption University</li> <li>• Bachelor of Art (Political Science), Kasetsart University</li> </ul> <b>Training Programs :</b> <ul style="list-style-type: none"> <li>• ASEAN Corporate Secretaries Professional Exchange Programme (PEP) (2016)</li> <li>• The Hong Kong Institute of Chartered Secretaries</li> <li>• Senior Investor (TIIP-13/2559) Thai Investor Association</li> <li>• Compliance Officer (7/2014) Faculty of Law, Chulalongkorn University</li> <li>• Fundamental Practice for Corporate Secretary (FPCS 23/2011) Thai Listed Companies Association</li> <li>• Board Reporting Program (BRP 1/2009) Thai Institute of Directors Association (IOD)</li> <li>• Company Secretary Program (CSP 17/ 2006) Thai Institute of Directors Association (IOD)</li> <li>• Effective Minute Taking (EMT 2/2006) Thai Institute of Directors Association (IOD)</li> <li>• Corporate Secretary Development Program (11/2005) Faculty of Commerce and Accountancy, Chulalongkorn University</li> </ul>	None	59,001 (0.007)	<b>Kiatnakin Phatra Financial Group</b>		
					2011 - present	Senior Vice President Department (Head of Office of Corporate Secretariat)	Kiatnakin Bank Public Company Limited
					2010 - present	Corporate Secretary	
					<b>Other Listed Companies</b>		
					None		
					<b>Non-Listed Companies</b>		
					None		

\*KKP share holding is included share numbers of spouse and minor children

<sup>/1</sup> Appointed effective on January 13, 2010

# Directorship of Directors and Executives in Subsidiaries, Associated Companies and Related Companies

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Name		Position																																			
		Kiatnakin Bank Public Company Limited	Subsidiaries & Associated Companies					Related Companies																													
			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	28	29	30	31	32	33	34	
1	Mr. Supol	Wattanavekin											/							X			/														
2	Mrs. Dayana	Bunnag													/								/														
3	Assoc. Prof. Manop	Bongsadadt																						/													
4	Mr. Chet	Pattrakornkul											/													X											
5	Mr. Pongtep	Polanun																																			
6	Mr.Veravat	Chutichetpong										/																	/								
7	Mr. Tarnin	Chirasoonton																															X				
8	Mr. Suraphol	Kulsiri																																			
9	Mr. Suvit	Mapaisansin																																			
10	Mr. Banyong	Pongpanich																																			
11	Ms. Thitinan	Wattanavekin										/																									
12	Mr. Aphinant	Kiewpatinond																																			
13	Mrs. Kulnan	Tsanthalwo																																			
14	Mr. Chatchai	Dusadenoad																																			
15	Mr. Chavalit	Chindavngi																																			
16	Mr. Therapong	Vachirapong																																			
17	Mr. Norachet	Sangruji																																			
18	Mr. Pracha	Chumnamkitkosol																																			
19	Mr. Preecha	Techarungchaikul																																			
20	Dr. Popanit	Poommarapan																																			
21	Mr. Pansalit	Trakarnkitvichit																																			
22	Mr. Pattarapong	Raktabutr																																			
23	Mrs. Patraporn	Milindasuta																																			
24	Mr. Manit	Wannavanit																																			
25	Mr. Worrakit	Jaruwongpak																																			
26	Mr. Sarawut	Charuchinda																																			
27	Dr. Anuchit	Anuchitanukul																																			
28	Mr. Krittiya	Veeraburus																																			
29	Mrs.Patchanee	Limapichat																																			
30	Ms. Nilawan	Treekijamroon																																			

Remark : 1. X = Chairman / = Director // = Executive Director \* = Authorized Director

2. Related Company means Party entity definition may conflict under the Securities and Exchange Commission

- Phatra Capital Public Company Limited
- Phatra Securities Public Company Limited
- Phatra Asset Management Company Limited
- Phatra Asset Management (Gayman) Limited
- CM I C Development Company Limited
- Kasasin Company Limited
- CORE Company Limited
- K S P Square Company Limited
- GMM Grammy Public Company Limited
- Chic Republic Company Limited
- Celestium (Thailand) Company Limited
- Central Pattana Public Company Limited
- The Erawan Group Public Company Limited
- The Palm Charn Company Limited
- The Palm Insurance Public Company Limited
- Don Muang Tollway Public Company Limited
- Ocean Life Insurance Public Company Limited
- Techcare International Company Limited
- BT Wealth Industries Public Company Limited
- BTMU Leasing (Thailand) Company Limited
- Pantavani Company Limited
- Muang Thai Insurance Public Company Limited
- Ruanwanthana Company Limited
- Branbur Security Guard Company Limited
- Tubkaew-Hori and Nursery Kindergarten Company Limited
- Worak Property Public Company Limited
- Squire (Thailand) Company Limited
- Union Auction Public Company Limited
- Thai Packaging Industry Public Company Limited
- Advanced Information Technology Public Company Limited
- Aksorn Education Public Company Limited
- Alpha Absolute Company Limited
- Iconic Men Company Limited
- RPIC Pte. LTD.
- Riamphon Phatra International Corp.

## Directors of Subsidiaries

	Name of Director		Phatra Capital Public Company Limited	Phatra Securities Public Company Limited
1	Mr. Banyong	Pongpanich	X	X
2	Mr.Suvit	Mapaisansin	/ *	/ *
3	Dr.Supavud	Saicheua	/ *	/ *
4	Mr.Aphinant	Klewpatinond	/ *	/ *
5	Mrs.Patchanee	Limapichat	/ *	/ *
6	Mr.Norachet	Sangruji	/ *	/ *
7	Ms.Thitinan	Wattanavekin	/	-
8	Mr.Chavalit	Chindavanig	/ *	/ *
9	Mrs.Patraporn	Milindasuta	/ *	/ *
10	Mr.Krittiya	Veeraburus	/ *	/ *
11	Mr.Trairak	Tengtrirat	/	/

### Remark:

1. X = Chairman      / = Director      // = Executive Director      \* = Authorized director
2. Subsidiary means a subsidiary as a significant revenue more than 10% of the consolidated total income of the financial year.



## Personnel

Human Resources is the utmost important resource of the organization and the key to organization success and sustainable growth. Employees are not only the closest business partners, but they are also regarded as members of the Group.

In 2016, the Bank implemented key transformation initiatives to utilize synergies of the Group, manage its resources for the most efficiency, improve the competitive capability and further stabilize the business operation. As of December 31, 2016, the Group employed 4,120 personnel. Details are as follows:

The Group	Number of Personnel	
	2015	2016
Kiatnakin Bank Public Company Limited	3,357	3,647
Erawan Law Office Company Limited	106	-
Phatra Capital Public Company Limited	53	48
Phatra Securities Public Company Limited	309	360
KKTRADE Securities Company Limited*	243	-
Phatra Asset Management Company Limited	44	50
CMIC Development Company Limited	15	15
Phatra Asset Management (Cayman) Limited	-	-
<b>Total</b>	<b>4,127</b>	<b>4,120</b>

\* PHATRA sold total shares held in KKTRADE to Yuanta Securities Asia Financial Services Limited on July 8, 2016, therefore, KKTRADE was out of the Group since then.

In 2016, the number of personnel of the Group decreased by 7 persons or 0.17% from the previous year.

### Internal Capabilities Development

The Bank has been focusing on development of internal capabilities to ensure its readiness for competition and to support sustainable growth. Hence, human resource strategy, policy and vision are critical for achieving strategic business goals. The Group focuses on identifying and recruiting highly qualified personnel, and subsequently developing our workforce so that they can acquire the required knowledge and competencies. With the internal capabilities and dedication of our personnel, we can deliver the best services and products to our clients. The Bank also emphasizes providing a very competitive compensation scheme which ensures internal equity and external competitiveness. Furthermore, the Bank thrives to promote a good corporate culture, work environment and relationships, knowledge-sharing, equality, diversity, and respect for individual rights.

## Human Resources Policy

### (1) Personnel Recruitment and Selection

The Bank has employed state-of-the-art technology and various channels and networks to reach its target qualified candidates for the required vacancies, strengthening and expanding the gateway/network to the prospective labor market which supports its business needs and increases its competitiveness in the labor market. In a severely competitive environment for a quality workforce, it is important to ensure efficiency in the recruitment and selection process. Hiring managers and interviewers are well-trained to leverage their interviewing and selection skills. Furthermore, the Bank has placed importance on the development of a competency-based selection process, applying the latest recruitment tools to assess candidates' qualifications, skills and potential as well as attitude, ethics and creativity to identify professionals for the respective positions.

### (2) Career Management

To motivate employees and build up the organization's strength, every employee has the opportunity for career progression, both vertically and horizontally. The Bank promotes and supports "Internal promotion" for available/vacancy job positions. Should there be no best candidates within the organization, hiring from outside will be considered. The Promotion's criteria have been established and comprehended, and Promotion is conducted twice a year. Promotion criteria have been established, communicated, and comprehended by all employees.

### (3) Performance Assessment

The Bank annually appraises its employees' performance, with emphasis on the assessment of their work competency, skill development, and capability to achieve assigned goals and comply with prescribed policies. The appraisal process is transparent, fair, and undiscriminating. The Bank has applied various appraisal methods to assess employee performance such as performance appraisals from line supervisors and 360 degree evaluations, where applicable.

The Bank's key assessment objectives are not limited to performance appraisal, but also focus on using practical tools to assess and improve internal work processes. The annual appraisals are used as a vital methodical tool ensuring the Bank's standard of work and service quality, particularly the services provided to clients and other related parties. At the same time, appraisal outcomes are regarded as good feedback to employees, providing information on required on-going self-improvement, competency enhancement, and career development programs. It is also an important tool for the Bank in selecting and retaining good performers by selecting and applying proactive measures.

### (4) Performance Management

The Bank's performance management system aims to promote employee dedication to provide best services to internal and external clients, and mutual understanding between supervisors and subordinates. Performance management is an important and fundamental responsibility of all supervisors, who are held accountable for supervising, developing, and providing continuous feedback and coaching. It is mandatory for all supervisors to comprehend concept, processes and system of performance management. In 2016 the Bank continued to carry on the development program for employees who act as supervisors, by providing more knowledge and understanding of the HR role so that they can be trainers of the next generation through HR for Non-HR program to enhance the awareness and understanding of system, principle, work process and performance management areas.

### (5) Employee Compensation and Benefits

The Bank strives to promote internal equity and fairness in human resource management. Employees' compensation is in consistent with the long-and-short term operating result of the Bank and companies in the Group and considered from three main principles as follows:



- Equitability
- Performance Based
- Competency Based

Employees' compensation in terms of a monthly salary takes into account the factors of job value, knowledge, competency, experience, capability, duty and responsibility and is comparable with those of companies in the same industry. Other benefits, e.g. an annual bonus, are considered based on actual individual performance, duty, responsibility and achievement comparing with the planned target on the total compensation basis. Such benefits are aligned with the operating result of the Bank and companies in the Group both in short and long terms, as well as the business competency in the future and long term value creation for shareholders.

Nevertheless, the Bank also emphasizes the importance of non-monetary components of compensation including several welfares suitable for current economic situation and comparable with standard of the leading companies. This is to ensure that our employees consider the Bank as a happy workplace.

Employee's compensation consists of three components:

1) Direct Monetary Compensation

Monetary compensation is structured based on the employee's job scope, competency and performance, and will be explicitly rewarded to employees in the form of salary and other monetary forms which reflect performance in assigned roles. As such, employees who deliver required performance will be entitled to salary increase/ adjustment, bonus, incentives, and other related monetary rewards. Furthermore, the Bank also provides job-related allowances such as hotel allowance, shift allowance, weekend shift allowance, auto insurance allowance, etc. in accordance with the job title.

2) Indirect Monetary Compensation

To ensure that employees have good morale and work-life balance, the Bank provides several welfare and benefits such as provident fund, social security fund, life, accident and total permanent disability insurance, staff loan, retirement benefit, annual medical checkup and first aid room, and other fundamental benefits.

*Provident Fund*

The Bank set up its employee provident fund in compliance with the Ministerial Regulation No. 162 (B.E. 2526), and with the intention to provide its employees with welfare and benefits that:

- (1) Promote employee savings
- (2) Establish a safety net mechanism for employees and their families

The provident fund has been registered in compliance with the Provident Fund Act B.E. 2530 under the name "Kiatnakin Registered Provident Fund". The details and contribution scheme are presented below.

Year of Service	Employee's Contribution (% of Salary)	Employer's Contribution (% of Salary)
Less than five years	5, 8, 10, 12, 15	5
Five years and more	10, 12, 15	10

The Fund's investment policy has been considered by the Provident Fund's committees which are elected by members and employer representatives. The Provident Fund's Committee shall be in position for two years and has authority and responsibility in monitoring fund performance, including determining appropriate investment policy as a member representative. Currently, the Provident Fund consists of three investment policies comprising 100% Debt Policy, Mixed 85% Equity 15% Debt Policy and Mixed 75% Equity 25% Debt Policy. In order to broaden

choices for employees to better suit their needs and saving goals, the provident fund allows members to switch their investment policy four times a year during the months of January, April, July and October. In addition, members are able to change their contribution ratio to suit their saving goals twice a year during the months of January and July.

#### *Other Welfare & Benefits*

- Health Care

The Bank provides health care for employees in the form of group health insurance through the selected insurer, which provides good services, and good hospital/ clinic networks to ensure employees' convenience in accessing required treatments.

In 2016, the Group has upgraded the regular health care plans to flexible benefit plans to offer alternatives for employees to choose the health care plans which best suit for themselves. In addition, employees are allowed to buy the regular group health insurance for their families at a corporate rate, which is lower than individual personal insurance premiums. This is an alternative for providing accessibility to medical treatments to employees' families at reasonable cost. Furthermore, the Bank has provided annual preventive medical checkup for employees and also arranged a treatment first aid room, including a Mother Corner room, at its head office with an in-house specialized doctor two days a week.

- Life, Accident and Total Permanent Disability Group Insurance

To ensure that employees have security and work-life balance, as well as to strengthen employees' morale and minimize any impacts on their families from undesirable incidents, the Bank provides 24-hour insurance coverage both inside and outside of working hours.

- Staff Loan

The Bank has implemented housing loans for employees in order to secure their living.

#### 3) Non-monetary Compensation

In addition to direct and indirect monetary compensation, the Bank provides other compensation to promote and develop employees' capability such as challenging job assignments, personal development through training programs and other systems, flexible work time and employee's activities within the Bank and the Group.

## Organization Development

### (1) Training

The Bank intends to support skill and knowledge development of all employees, as well as to foster positive work attitudes that help enhance trustworthiness and expertise. The overall concept of the Bank's training programs is to develop work skills, knowledge, core competency, functional competency, and leadership competency. During 2016, the Bank has been supporting its employees to attend various training programs ranging from generic to specialized development objectives, both conducted in-house and outside. The Bank employs various learning solutions such as workshops, lectures, E-learning, online learning and also the leadership program in practice, all of which are conducted by knowledgeable and experienced facilitators. The Bank encourages its staff to enhance knowledge, and gain experience, through domestic or oversea training, to fulfill their tasks creatively and effectively, which shall eventually increase value to the Bank.

In addition, Bank has initiated more learning intervention through projects, for example, KKP Innovation Triple A to promote employees' talents by stimulating their functional expertise, creativity and leadership skills to create innovative projects for the Group, and to promote a culture of collaboration and assertiveness. Next, KKP Edge Project is a continuous learning program for employees in different key functions whose responsibilities are related





and cooperative, to produce mutual understanding, respect and the same mission.

(2) Knowledge Management

In our Bank, every department amasses and exchanges work-related knowledge and experience, which leads to development of a knowledge database. This invaluable asset is used to initiate improvement and to promote innovation within the departments.

(3) Succession Plan

The Bank strives to promote internal equity and fairness in human resource management. Employees' compensation is in consistent with the long-and-short term operating result of the Bank and companies in the Group and considered from three main principles as follows:

## Internal Communication

The Bank has consistently placed highly-efficient communication systems for all employees such as the intranet (KK world), internal email for sending news and information within organization, KK SMS for sending short messages to employees, KK VDO conference for long-distance conferences, as well as posters to ensure that employees will have all information available for internal and external uses. The internal communication channels are also venues for the exchange of ideas and are communication channels between employees and management. This helps foster an atmosphere of cooperation at work and creates an open-minded working environment, promoting the good image of the organization and supporting the Bank to achieve its business projections.

# Corporate Governance Policy and Practices

## Corporate Governance Policy

Realizing its responsibility towards all stakeholders, the Board of Directors has continually run the business in line with corporate governance principles. The Board of Directors therefore has approved the Bank's Corporate Governance Principles and annually reviews it in order to maintain practical guidelines in the business operation and in order to improve the standard of the Bank's corporate governance to be more comparable with international standards. The Bank's Corporate Governance Principles are comprised of five sections as follows:

Section 1: Rights of Shareholders

Section 2: Equitable Treatment of Shareholders

Section 3: Role of Stakeholders

Section 4: Disclosure and Transparency

Section 5: Board Responsibilities

The Board of Directors and the management strongly believe that good corporate governance will enable the Group to have a proper management system with efficiency, transparency, accountability, and fairness to all related parties, and allow the company to build trust and increase competitiveness under a system of good ethics and social responsibility. This will build strong stability and a long-term foundation for the Group. For that reason, the practice of Corporate Governance Principles is one of the prime missions of the Board of Directors, the management, and employees in order to benefit the Group, shareholders, clients, stakeholders and society. The Bank discloses its Corporate Governance Principles on its website ([www.kiatnakinphatra.com](http://www.kiatnakinphatra.com)) as well as widely communicating these principles to executives and employees via its intranet system (KK World) to ensure better understanding and strict compliance on the principles.

## Corporate Governance Practices

The Board of Directors pays great attention and commits to conduct its business according to good corporate governance principles as prescribed by the

relevant supervision authorities. This attentiveness and commitment has enabled the Bank to achieve numerous governance honors and awards, such as the following:

- Rated as "Excellent" for the arrangement of the Annual General Meeting of the Shareholders for 2016 with the full assessment scores by the Thai Investors Association, the SEC and Thai Listed Company Association (ten consecutive years since 2007)
- Rated as "Excellent" from the annual corporate governance survey for 2016 of Thai Institution of Directors (IOD)
- One of 55 listed companies selected by the SET to receive Thailand Sustainability Investment 2016 for two consecutive years (2015-2016) due to outstanding performance on Environmental, Social and Governance (ESG) aspects
- One of 100 listed companies selected by THAIPAT's ESG Rating Unit to be on the list of ESG100 in the year 2016 for two consecutive years (2015-2016) due to outstanding sustainability performance of ESG aspects.

In 2016, the Bank's implementations according to all five sections of the SET's Principles of Good Corporate Governance for Listed Companies are as follows:

### 1. Rights of Shareholders

The Board of Directors has established the Bank's Corporate Governance Principles regarding the statutory rights of shareholders. The principles embrace the right to attend shareholders' meetings, the right to appoint a third party as a proxy for attending and voting at meetings, the right to vote on the election or removal of each individual director, the right to vote on directors' remuneration annually, the right to appoint the external auditors and vote on the annual audit fees, and the right to obtain adequate information, participate and vote in shareholders' meetings if there are any significant corporate changes. In addition, the Bank



provides shareholders the right to express an opinion and raise questions during shareholders' meetings, the right to propose agenda items for shareholders' meetings, the right to nominate directors, the right to be involved in improving the Bank's business performance, the right to share in the Bank's profit and the right to receive sufficient and up-to-date information in a timely manner. Meanwhile, the Board of Directors aims to encourage all shareholders to fully exercise their rights, the Bank will not execute any tort affecting or derogation of the rights of shareholders.

1.1 The Bank facilitated shareholders to fully exercise their rights by attending and voting in shareholders' meetings.

The Bank's Annual General Meeting of Shareholders ("AGM") was held within four months of the end of the fiscal year. An extraordinary general meeting of shareholders may be called if there is any urgent proposal which requires shareholders' approval. In 2016, the AGM was held on April 25, 2016, which was not on a commercial bank holiday, at the Grand Hyatt Erawan Bangkok Hotel, which offered convenience in transportation for shareholders. During 2016, the Bank called no extraordinary general meeting of shareholders.

The Bank fully facilitated all shareholders, including institutional shareholders, to attend the AGM. On the AGM day, the registration was open not less than two hours before the AGM commenced; an appropriate venue was selected; ample staff was present to help shareholders and proxies register; the barcode for registration and vote-counting systems of Inventech Systems (Thailand) Company Limited was used to facilitate shareholders; and duty stamps were provided for authorization of proxies.

The notice of AGM clearly informed shareholders of all necessary documents and the Bank's Articles of Association relevant to the shareholders' meeting to maintain their legitimate rights for attending the AGM and proxy forms, allowing shareholders to appoint a third party or the Bank's independent director as their proxies.

Moreover, the Bank prepared all AGM documents in English versions, which were disclosed concurrently with the Thai versions, for foreign shareholders. The Bank also gave those shareholders who showed up after the AGM commenced the chance to vote on agenda items still under deliberation.

1.2 The Bank provided advance and complete information on the AGM to shareholders.

The Bank's AGM was arranged in compliance with the AGM checklist of the Thai Investors Association. For instance, the Bank posted the notice of AGM along with information for each agenda item not less than thirty days prior to the AGM date and assigned TSD, the registrar, to arrange delivery of the notice of AGM to shareholders by post not less than twenty-eight days prior to the AGM date. The notice of AGM was published in both daily Thai and English newspapers for three consecutive days. The Bank provided a complete agenda and sufficient information for voting on all agenda items, each of which was identified clearly as either for acknowledgement or consideration together with opinions of the Board of Directors on particular issues. For example, for the dividend agenda, the Bank disclosed its dividend payment policy, dividend amount proposed for consideration, supporting reasons and dividend payment information in comparison with the previous year. For the director election agenda, the Bank provided complete profiles of persons proposed to be elected as directors. For directors' remuneration agenda, besides types and amount of remuneration proposed, the Bank provided information on policy and guidelines for considering directors' remuneration. For the auditor appointment agenda, the Bank disclosed complete details of proposed auditors including their names, audit firm, experience, independency and remuneration.

1.3 The Bank allowed shareholders to submit questions relevant to shareholders' meeting agendas in advance.

For the shareholders' ultimate benefit from the shareholders' meeting, once the meeting date had been

announced, the Bank allowed shareholders to submit questions relevant to the shareholders' meeting agendas. In order to fully reserve shareholders' rights, the Bank disclosed the criteria for submission of questions in advance on its website. Shareholders were allowed to submit questions via the Bank's website, registered post or facsimile to the Bank's Corporate Secretary, who gathered, reviewed and proposed questions submitted by shareholders to the Chairman of the Board of Directors and the Board of Directors for consideration.

1.4 The Bank allowed shareholders to propose agenda items for the AGM and to nominate directors.

The Bank provided opportunity for shareholders to propose agenda items for the AGM and nominate directors before the notice of AGM was issued. For the 2016 AGM, the Bank allowed shareholders to propose agenda items and nominate directors in advance for three months prior to the end of its fiscal year, during September 30 to December 30, 2015. The Bank announced this opportunity via the SET's channel and also disclosed the guidelines for shareholders to propose agenda items and nominate directors on its website. However, no agenda items were proposed for the 2016 AGM and neither was any director nominated by any shareholder during the above-mentioned period.

The Board of Directors is responsible for determining the appropriateness of the agenda items proposed by shareholders and such agenda proposals must be in line with the Bank's criteria, unless otherwise stated by the Board of Directors. The Board of Directors' resolution is considered final.

In the case where many shareholders propose related agenda items, the Board of Directors may combine them into one agenda item. The proposals, which are approved by the Board of Directors, along with the Board of Directors' opinion will be included as agenda items in the notice of AGM. For the proposals which are not approved by the Board of Directors, the Bank will inform the shareholder(s) after the Board of Directors' meeting and before the shareholders' meeting via its website or other appropriate channels.

1.5 Shareholders may grant proxies for shareholders' meeting.

The Bank allows shareholders who cannot attend the shareholders' meetings to appoint a third party or the Bank's independent director as their proxies and vote on their behalf. The proxy forms, on which shareholders are able to specify their votes, are provided together with the notice of AGM. Shareholders can also download proxy forms from the Bank's website. Furthermore, the Bank clearly informs shareholders of all necessary documents for granting proxy and avoids requiring any condition which makes proxy granting be complicated.

For the AGM, the Bank proposes its independent directors as an option for shareholders who cannot attend the shareholders' meetings to appoint as their proxies. For the 2016 AGM, the Bank proposed two independent directors to shareholders for granting proxies. 414 shareholders, representing 139,003,732 shares, appointed the Bank's independent directors as their proxies.

1.6 The Bank encourages directors and executives to attend shareholders' meetings to provide information and answer questions.

The Bank has a policy encouraging the Chairmen of the Board of Directors, the Audit Committee and Nomination and Remuneration Committee, CEO, President, heads of business and supporting groups, senior executives and auditors to participate in all AGMs to provide additional information and answer questions to shareholders. In 2016, all Chairmen of the Board of Directors and committees under the supervision of the Board of Directors, CEO, President, heads of business and supporting groups, senior executives in charge of finance and auditors were present at the AGM.

1.7 An appropriate meeting time is allocated and shareholders are supported to express their opinions.

Before considering the agenda items, shareholders are informed about the meeting rules, voting and vote-counting procedures, and how to express opinions, give suggestions and raise questions relevant to the Bank during the shareholders' meetings. The Chairman of the



Board of Directors, acting as the Chairman of the AGM, runs the meeting in accordance with the agenda items specified in the notice of AGM without adding any other agenda item which is not notified to shareholders in advance. During the AGM, the Chairman provides appropriate time for discussion and opportunity for shareholders to equally express their opinions and make inquiries and requests relevant directors to clarify and provide complete information to shareholders.

1.8 Comprehensive minutes of shareholders' meetings are recorded.

Comprehensive minutes of the 2016 AGM were recorded. It included names of directors and executives attending the AGM, voting and vote-counting procedures, key discussion issues, questions raised, clarifications, comments, resolution results and complete voting results (for/ against/ abstaining) of each agenda item.

The Bank disclosed in a timely manner the resolutions of the 2015 AGM via the SET's channel, delivered the minutes of the AGM to the regulatory agencies within fourteen days of the meeting date, and disclosed such minutes on its website.

## **2. Equitable Treatment of Shareholders**

The Group respects and values the importance of equitable treatment of shareholders. The Group treats shareholders equitably for participating in shareholders' meetings, receiving information and voting by one share for one vote. The shareholders who have a business stake-holding in any agenda item have no right to vote on such agenda item.

### **2.1 Transaction with Related Persons or Connected Transactions**

The Group does not encourage any transaction entered into between the Group and directors, executives, major shareholders and related persons. This is to avoid any potential conflict of interest among the Group and those persons. However, in the course of doing business, it may be necessary for the Group to enter into such transactions. This is to be done within the procedures and framework of regulations of such

matters. In order for the Bank to enter into any connected transaction and where there is the possibility of a conflict of interest, this transaction must go through a rigorous process of consideration, which must be clear, free from bias and within the boundaries of good ethical practices, keeping in mind the importance of its being beneficial to both the Group and shareholders.

The Group's directors and executives who have an interest in any transaction or matter affecting the Group do not participate in the decision-making process on such issues for the utmost benefit of the Group.

The Bank's Audit Committee has authority in considering and disclosing the connected transactions to ensure that they are in compliance with the laws and the SET's regulations, reasonable and for the highest benefit of the Bank. In the previous year, the Bank did not violate any regulations regarding connected transactions.

The Group requests its directors and executives including their spouses and offspring under the legal age to maintain their securities trading account with securities companies in the Group. The securities trading transactions with directors and executives must be on an arm's-length basis without taking unfair advantage of anyone through unethical or illegal means. The transactions must be entered into in the ordinary course of business on substantially the same terms as those prevailing at the time for comparable transactions with other similarly situated clients.

## **3. Role of Stakeholders**

The Group, with acknowledgement of the right of all stakeholders, has a policy to manage impacts from business operations in all aspects. It projects to ascertain for all related parties that its business has taken into consideration environmental concerns for sustainable development. In addition, this is to ensure that all stakeholders, both internal stakeholders, i.e. employees, executives and subsidiaries, as well as external stakeholders, are fairly treated.

The Bank has a policy for conducting business with a responsibility towards society so that directors,

executives and employees of the Bank had guidelines for performing their duties responsibly for society in ten areas. These consist of good corporate governance, fair operations, anti-corruption, respecting human rights, fair treatment of employees/labor, responsibility to consumers, community and social development participation, environment management, innovations and dissemination of CSR innovations and sustainability reporting.

### 3.1 Stakeholders' Involvement to Enhance the Operation of the Bank

The Bank's website has been developed so that it can become another channel through which the stakeholders can participate to enhance the operation of the Bank. All stakeholders, including clients, counterparties, competitors, employees, shareholders and creditors, can send suggestions to the Bank's management via its website in order to create wealth, financial stability and sustainability.

### 3.2 Channels for Complaints and Whistleblower Protection

The Bank has arranged for a reporting channel for whistleblowers, e.g. the report on the accuracy of financial reports, deficient internal controls or any illegal or unethical activities or any suspected corruption or improper behavior of all employees. The Bank's employees and other stakeholders can communicate these actions to the Bank through electronic email to independent directors (Independent\_director@kiatnakin.co.th), or the Bank's branch and Contact Center (Tel. 0-2165-5555). Moreover, the Bank's employees can directly contact the Bank's Chairman of the Board of Directors, CEO, President or Chief Governance Officer (CGO) to file complaints on wrongdoing as such.

The Bank has set the whistleblower protection process and will not commit any unfair treatment on all employees, temporary staff or contract staff who have reported any suspected acts. The Bank has realized the importance of keeping reported information and evidence confidential. The whistleblowing information will be acknowledged only among the responsible

parties or only be disclosed by law as stipulated. In addition, the whistleblowers can submit a complaint confidentially. The Bank will execute complaints received according to its whistleblowing process as well as investigation and disciplinary regulation.

### 3.3 Stakeholder Treatment Guidelines

The Board of Directors ensures all stakeholders are well and fairly treated according to their statutory rights and agreements with the Bank. Therefore, it has defined guidelines for treatment with various stakeholders in its Corporate Governance Principles which can be summarized as follows:

#### *Role, Practice and Responsibilities of the Bank towards Shareholders*

The Group aims for good business performance, competitive capability, and steady and sustainable growth and takes into account the current and future risks in order to add value to shareholders in the long term. The Group has duties to operate businesses, disclose information transparently and fairly to all shareholders – both major shareholders and minorities – for the utmost benefit of shareholders as a whole and try its best to protect the assets and reputation of the Group.

#### *Role, Practice and Responsibilities of the Bank towards Clients*

The Group realizes that clients' satisfaction and confidence in the Group are essential. Thus, the Group strives to provide best-quality products and services to clients by keeping in mind their needs and benefits; to provide complete and accurate information about products and services without any distortion of fact; to implement no practice that is unjust; to ensure that clients are consistently treated in accordance to terms agreed with care and honesty; and to respect clients' information privacy. The Group does not release client information to third-parties, except upon a client's authorization or when permitted or required by law and does not sell or rent clients' personal information. The Group's employees do not discuss their clients with any other employees not relating to the matter. The Group abides by all legal regulations and additional rules in



regard to clients' information.

In addition, the Group welcomes clients' complaints on products and services. Upon receipt, such complaints are investigated and remedial actions are provided promptly.

*Role, Practice and Responsibilities of the Bank towards Employees*

All employees of the Group are valued resources and a key success factor in its business operation. Therefore, training is continually provided on a regular basis throughout the organization to encourage the development of knowledge, skills and capabilities of employees to enhance their potential to be comparable to the standards of other leading firms in the industry and to partake in the development of the Group to be a leading financial institution that can provide good services to clients.

The Bank has in place a system of appointment, transfer as well as rewards and punishments based on the knowledge, capability and suitability of employees. The Bank respects the human rights of every employee by respecting the rights of each employee and individual and maintaining secrecy on personal information. The Bank does not tolerate discrimination on the grounds of race, nationality, religion, gender, age, disability, sexual orientation and any other form of illegal discrimination.

The Bank has arranged for a system of remuneration and benefits accordingly and equivalent to standards of other firms in the same industry and also provides retirement compensation adequate for a secure life. Welfare for the Bank's employees includes provident fund, social security fund, group health insurance, group life insurance, group accident insurance, annual medical check-up, nursing room, mother corner (breast milk collection room), scholarships for employees' children (Kiatnakin Responsibility Scholarships) and other monetary benefits for assisting employees on some occasions.

In terms of safety and health, the Bank has set up a working environment taking into account safety, health and environment suitable for employees to work

while ensuring clients' convenience. Furthermore, the Bank has organized fire drills and an office security system. The Bank has also announced the Guidelines for Safety and Unusual Sight to ensure safety to the buildings and its employees.

The Group supervises, manages and justly treats all employees with kindness, politeness and respect and provides working opportunities to employees at every level. Also, the Group has strived to develop a positive corporate culture and working atmosphere.

The Group has communicated with employees on its objectives, goals, culture and strategies so that they have the same target in creating corporate value. The Group has set up the Guidelines for Business Conduct prescribing the Group's framework for employees in business dealings, and has issued an Anti-corruption policy in order to set standards with which employees may operate with a sense of honesty. The Group arranges for the dissemination of the Guidelines for Business Conduct and Anti-corruption policy. This is to be used in conjunction with the working rules and regulations of the Group and is to be reviewed periodically.

(Details on respecting human rights and fair treatment of employees/ labor of the Bank are shown in the CSR report.)

*Role, Practice and Responsibilities of the Bank towards Creditors in accordance with Credit Guarantees*

The Bank strictly abides by all terms and conditions as stipulated in agreements with creditors and creditor guarantees in respect to purpose and utilization of loan, repayment and proper maintenance of collateral.

The Bank provides correct and honest status and financial reports to creditors periodically and in the event that the Bank is unable to comply with any condition of an agreement, the Bank will immediately inform the creditor so as to find a reasonable and mutually-acceptable solution. The Bank strives to maintain good relationships and mutual trust with creditors.

The Bank has established a strategy in treasury function to promote security and strength in capital

management to prevent the Bank from experiencing difficulties in repaying creditors. There is also a liquidity management on debt repayment to meet the maturity in a timely manner.

The Risk Management Committee is responsible for planning, monitoring and controlling the Group's capital to ensure its sufficiency, considering the Group's position and business activities. In doing so, the Group has an appropriate Internal Capital Adequacy Assessment Process (ICAAP) which is able to cover the Group's significant risks under normal circumstances or crisis and is in accordance with the capital management standards under the Pillar II of the Bank of Thailand.

*Role, Practice and Responsibilities of the Bank towards Counterparties*

The Group realizes the importance of counterparties as part of its success is derived from the support of counterparties. Therefore, the Group treats all counterparties equally and fairly in all transactions and strictly adheres to all terms of any agreement. In the event that the Group fails to do so, the counterparties will be informed immediately in order to find a reasonable and mutually-acceptable solution.

The Bank has a procurement policy and implemented a procurement system in which the selecting process for sellers, counterparties and consultants must be based on the premise that the Bank will receive maximum benefit. This is done in a transparent manner, free from any bias and able to be audited. The Bank provides opportunity for all qualified counterparties to submit their proposal. Employees are not allowed to receive any benefit from parties entering the bidding process. If there is any evidence of dishonestly requested or benefit receipt, counterparties will be informed so the problem will be solved in a fair and timely manner.

The Group has in place an audit system which will not permit the disclosure of any information of counterparties or the use of such information for conducting business in any illegal manner. The Group does not cooperate with any person or entity related with illegal activities or posing a threat to society and

to security of the nation or any activity connected with corruption.

*Role, Practice and Responsibilities of the Bank towards Competitors*

The Group conducts businesses ethically and in accordance with rules and regulations; avoids any search for confidential information of business competitors by dishonest or improper means; and refrains from tarnishing competitors' reputation without truth.

It is against the Bank's policy to seek increased sales by disparaging the products and services of other banks since the Bank's goal is to increase business by offering superior products and services.

*Role, Practice and Responsibilities of the Bank towards Community, Society and Environment*

The Group acts as a responsible citizen, supporting democracy under the demo-monarchy system and remains unbiased in politics. Employees are permitted to exercise their rights and political freedom, which is an individual right, but are not permitted to do so under the name of the Group.

The Group strictly conducts the businesses under laws and regulations. The Group discloses its Anti-corruption Policy to the public and will not cooperate or support any person or entity that is illegal, is connected with corruption, or poses a threat to society and the security of the nation; takes part in any activity that causes harm to the community, society or environment; and partakes of any profit that can arise from burdening society.

The Group stands firm in its commitment to the synergy of the benefit of organization, clients and shareholders with the economic development and financial market of Thailand; strives to keep growing together with the financial and capital markets; tries to assist the financial, capital and securities markets to steadily grow; and supports the use of knowledge and expertise of the Group and its employees relating to management, systems implementation and law for the benefit of society and community.

The Group supports the employees at every level in





developing their skills with periodic training seminars to instill a sense of responsibility towards the community, society and environment; promotes and creates awareness among employees of the need for natural resources and energy conservation and how to use them wisely; and supports and encourages employees to volunteer and participate in social activities and charity work.

The Group has set aside an appropriate budget for community, society and charity work without being limited to projects that can be used for tax reduction purposes only; supports projects that help maintain our culture and traditions as well as promoting religious activities; and supports the strengthening of the community in which it is located as well as other communities so that they can become self-reliant, help each other, improve the quality of life and live with happiness.

(Details on activities towards social and environmental responsibilities of the Group are shown in the CSR report.)

#### 3.4 Respect Intellectual Property

The Group respects the intellectual property of other parties. The unauthorized use of another party's patented, trademarked or copyrighted (audio, video, text) materials is strictly prohibited, regardless of their sources. In addition, the Group does not permit the use of software or other devices whose primary purpose is the circumvention or violation of another's intellectual property rights.

#### 3.5 Anti-corruption and Anti-bribery

The Bank intends and is committed to taking a stand against corruption in any form by adhering to the Guidelines for Business Conduct, Corporate Governance Principles, Anti-corruption Policy and regulations according to Thai laws on anti-corruption which is to be strictly followed. The Bank and its subsidiaries in the capital market group have announced their intention to be part of the Private Sector Collective Action Coalition Against Corruption (CAC) with support from the government and the National Anti-Corruption Commission. At present, the Bank and its subsidiaries

in the capital market group have been certified as full members of the CAC.

The Bank has continually implemented an anti-corruption program as follows:

- The Anti-Corruption Policy has been issued by the Board of Directors for all directors, executives and employees as a guideline to perform their duties in a transparent manner, paving the way to building a sustainable organization. The Bank's policy forbids bribes, payoffs or payments of any kind to any person, government official or entity for the purpose of improperly obtaining or retaining business or influencing consideration of any business activity. This policy covers all types of payments that may or may not be considered legal under the circumstances. Special rules may apply to payments or gifts (including entertainment) to officers, directors, employees or other affiliates of government-owned or controlled entities.

The Bank will not cooperate or support any illegal activities which involve corruption, or are a threat to society and national security.

Furthermore, no director, executive, employee or member of their families may, directly or indirectly, accept or receive gifts, frequent or excessive entertainment, or any similar form of consideration that is of more than nominal value from any person or entity with which the Bank does, or seeks to do, business.

- The Bank requires that all departments implement operational risk management standards through the use of Risk and Control Self Assessment (RCSA), Operational Loss Reporting and Key Risk Indicator (KRI). In addition, all departments are required to perform their own risk assessment in relation to anti-corruption which will identify the specific forms of corruption and report to the Operational Risk Management Department and Office of Compliance for further review and analysis, and report to the Operational Risk Subcommittee, the Risk Management Committee and

senior executives. Key risk indicators are determined for monitoring and controlling of such risks within an acceptable level as well as to ensure efficiency and prepare to deal with potential risks in the future.

- The Bank has issued regulations on receiving and giving of gifts, entertainment and other expenses to external persons to be used by directors, executives and employees as a guideline to perform their duties in accordance with the Anti-corruption Policy and relevant legal requirements. This is to ensure that receiving and giving gifts are reasonable and appropriate in value, and do not have characteristics leading to corruption.
- The Bank communicates its Anti-Corruption Policy and related regulations and clarifies the role of employees where they have seen suspicious actions related to corruption. The Bank will not demote or take disciplinary action against any person who has refused to be involved in a corruption scheme even though it may have made the Bank lose a business opportunity. The Bank also distributes information on its Anti-Corruption Policy to directors, executives and employees through the intranet, and via executive talks by the CEO in which the Bank has invited the bank's executives to attend and discuss topics relating to anti-corruption, policy statement and e-learning training course for all employees on the Anti-Corruption Policy together with an assessment form for understanding by employees. This e-learning training course has been implemented for both new and existing employees to review their understanding towards the Anti-Corruption Policy annually. Furthermore, the Bank also distributes information on its Anti-Corruption Policy to the companies within the Group.

The Bank also communicates the Anti-Corruption Policy to the general public and other stakeholders through various channels, such as

e-mail, the Bank's website, annual reports and CSR reports. Furthermore, the Bank has sent letters to notify clients and counterparties about its services which are based on corporate governance and anti-corruption principles.

- Following its intent of providing services with good corporate governance and rejection of all types of corruption, the Group communicated and sought co-operation from clients and counterparties for not providing gifts to directors, executives and employees of the Group during the New Year festival or other occasions.
- Referring to the Anti-Corruption Progress Indicators Survey in 2015 which was distributed by the SEC in order to comply with the sustainable development plan for listed companies, the Bank has been categorized in Level 4 "Certified" (from 5 levels). The Bank's indicator indicates that it has already implemented an anti-corruption program which has been completely reviewed by the Audit Committee and has been certified as Thailand's Private Sector Collective Action Coalition Against Corruption.

#### 4. Disclosure and Transparency

Information disclosure is a vital principle for good corporate governance. The Group places great emphasis on disclosure of information to shareholders. Accurate and complete information is provided to shareholders in a transparent and timely manner through various actions as follows:

##### 4.1 Disclosure of Information

The Group ensures that all important information related to the Bank, both financial and non-financial, is disclosed correctly, accurately, on a timely basis and in a transparent manner through the SET, its annual report, annual statement (Form 56-1), the Bank's website in both Thai and English, as well as through public media (in some circumstances) so that shareholders can equally receive information.



The Group has clear procedures for information disclosure under ordinary and urgent circumstances alike. In an effort to make financial information more rapidly available, the Group discloses unaudited financial statements for the half-year and year-ended periods and unreviewed financial statements for the first and third quarters besides the audited and reviewed versions. Also, the Group discloses management discussion and analysis along with the performance update presentations on a quarterly basis on its website. The Group has never submitted its financial reports late.

All disclosed information, as well as that made public to shareholders and investors, is disseminated through the Bank's website, which has been upgraded, regularly updated and made bilingual to benefit shareholders.

In 2016, senior executives and investor relations of the Group met and provided information to local as well as foreign analysts, shareholders and investors as follows:

Type of Activities	Times
One-on-One Meeting	29
Conference Call	32
Analyst Meeting	4
Domestic Investor Conference	3
International Roadshow	4
Press Conference	2

Furthermore, the Board of Directors prepares a statement of its responsibilities concerning the financial reports signed by the Chairman of the Board of Directors and CEO and ensures that the roles and responsibilities of committees of the Bank are disclosed in Form 56-1, annual report and website as per details shown in the Management Structure section and reports of committees.

#### 4.2 Investor Relations

Investor relations serve institutional investors, minor shareholders, analysts, and those who are interested in monitoring the Group's information.

The investor relation officer of the Bank is:

Name : Mr.Chavalit Chindavanig  
 Phone : 0-2841-5925  
 Facsimile : 0-2841-5529  
 Email : investor\_relations@kiatnakin.co.th  
 Website : www.kiatnakinphatra.com  
 Address : Kiatnakin Bank Public Company Limited  
 Investor Relations Department  
 209/1 KKP Tower B, 31<sup>st</sup> Floor  
 Sukhumvit 21 (Asoke), Klongtoey-Nua  
 Wattana, Bangkok 10110

The Bank has set the Code of Conduct for investor relations officers to promote ethical conduct and compliance with laws and regulations among all executives and employees involved with investor relations in terms of the disclosure and confidentiality of financial statements and any related information of which details are shown on the Bank's website.

Additionally, the Bank supports its investor relations officers to gain knowledge suitable for their responsibility and participate in activities of the Thai Investor Relations Club in order to exchange knowledge, experiences and practices and build good relationships with other listed companies.

#### 4.3 Appointment of Auditor and Financial Statements

The Board of Directors assigns the Audit Committee to be responsible for reviewing, selecting and nominating independent persons, whose names appear in the list of auditors approved by the SEC, to be appointed as the auditors of the Bank, so as to recommend the remuneration of independent auditors.

The Board of Directors, at the meeting No.2/2016, on February 25, 2016, approved a proposal by the Audit Committee to propose to the Annual General Meeting of Shareholders the appointment and remuneration of auditors from Pricewaterhouse Coopers ABAS Ltd. ("PwC") as the auditor of the Bank for 2016. The main reason was because of their independence and state of readiness on taking up the role as the Bank's and subsidiaries' external auditors. Also, the auditors of PwC have demonstrated a sound knowledge and understanding of the operations and related accounting standards relevant to the banking and capital market businesses.

The audit fee was approved by the Bank's shareholders' meeting of which details for 2016 were shown in the Auditor's Remuneration section.

In the previous year, the Bank's financial statements were unconditionally certified by the auditor.

## 5. Board Responsibilities

### 5.1 Board Composition

The Bank's Board of Directors is comprised of twelve members, including five independent directors, four non-executive directors and three executive directors, with a variety of skills, specialized experiences and genders. To comply with good corporate governance principles, the Bank has appointed a non-executive director as a Chairman of the Board of Directors. The Chairman of the Board of Directors and CEO are different individuals.

- *Chairman of the Board of Directors*

The Chairman of the Board of Directors has a vital role in ensuring that the Board of Directors performs its duties in accordance with the specified direction and strategic goal for the utmost benefit of the Bank and shareholders as a whole. He is the leader who takes part in making decisions on the Bank's policies, which are the results from the Board of Directors' meetings in which the business targets are considered and set together with the management. His roles include effectively and efficiently conducting the Board of Directors' meetings, encouraging all directors to participate in the meetings, i.e. raise important questions, provide management with suggestions, monitor and evaluate the Bank's performance, support the business operation via the CEO, oversee the shareholders' benefits, facilitate effective communications between the directors and shareholders, be a contact person for receiving complaints regarding misconduct behaviors, maintain good governance of the Board of Directors in performing functions in good faith, and be the Bank's representative to co-operate with other organizations and government offices regarding matters other than the Bank's businesses.

- *CEO*

The CEO is the leader of management who has the duty to successfully manage the day-to-day businesses of the Bank and companies in the Group and set up action plans and strategies in accordance with the approval from the Board of Directors.

The Board of Directors will not interfere in the duties of the management. The relationship of the



Board of Directors and management is in the form of co-working.

- *Independent Director*

The Bank has laid down stricter qualification requirements for independent directors than the minimum requirements of the SEC and the SET as follows:

- (1) Holding not more than 0.5% of the total shares with voting rights of the Bank, its parent Bank, its subsidiary, its affiliate, major shareholder or controlling person, inclusive of the shares held by related persons;
- (2) Not being or having previously been a director who takes part in the management, an employee, a staff member or advisor who receives a regular salary, or a controlling person of the Bank, its parent company, its subsidiary, its affiliate, its subsidiary at the same level, major shareholder or controlling persons unless the termination of being in such position had occurred at least two years before an appointment as the Bank's independent director. Such prohibited characteristics shall not include the case where the independent director used to be a government official or advisor of a government unit which is a major shareholder or controlling person of the Bank;
- (3) Not being a person related by blood or registration under laws in the form of fatherhood, motherhood, spouse, brothers, sisters, and children, including spouse of children, of its executives, its major shareholder, its controlling person, or such other person who will be nominated to take up the position of executives or controlling persons of the Bank or its subsidiary;
- (4) Having no current or previous business relationship with the Bank, its parent company, its subsidiary, its affiliate, major shareholder or controlling person in the manner which may interfere with his or her independent discretion, not being or having previously been a significant shareholder or controlling person of any person having a

business relationship with the Bank, its parent company, its subsidiary, its affiliate, major shareholder or controlling person unless the termination of being in such position had occurred at least two years before an appointment as the Bank's independent director;

Such business relationships include normal business transactions, rental or lease of immovable property transactions, asset or service transactions, or giving or taking financial assistance by borrowing or lending money, suretyship, providing assets as collateral, and any other similar actions, which result in the Bank or his counterparty being subject to indebtedness payable to the other party in the amount of 3% or more of the net tangible assets of the company or Baht 20.00 million or more, whichever is lower;

- (5) Not being or having previously been an auditor of the Bank, its parent company, its subsidiary, its affiliate, major shareholder or controlling person, a significant shareholder, controlling person or partner of the audit office to which the auditor of the Bank, its parent company, its subsidiary, its affiliate, major shareholder or controlling person unless the termination of being in such position had occurred at least two years before an appointment as the Bank's independent director;
- (6) Not being or having previously been any professional service provider including legal advisor or financial advisor who receives more than Baht 2.00 million annually from the Bank, its parent company, its subsidiary, its affiliate, major shareholder or controlling person and not being a significant shareholder, controlling person or partner of the professional service provider unless the termination of being in such position had occurred at least two years before an appointment as the Bank's independent director;
- (7) Not being a director appointed as a representative

of the Bank's directors, a major shareholder or a shareholder who is related to the Bank's major shareholder;

- (8) Not undertaking any business in the same nature and in competition with the business of the Bank, its subsidiary or not being a significant partner in a partnership or being an executive director, employee, staff, advisor who receives salary or holding shares more than 1% of the total shares with voting rights of another company having its business in the same nature and in competition with the business of the Bank or its subsidiary;
- (9) Having no characteristics that may affect the giving of independent opinions on the Bank's operations;

A person appointed as independent director, upon fulfilling the above (1) - (9) criteria, may be assigned by the Bank's Board of Directors to make decisions on the operation of the Bank, its parent company, its subsidiary, its affiliate, major shareholder or controlling person, by means of collective decision.

- *Other Committees*

To further study and screen matters in particular areas, the Board of Directors has appointed five committees, namely: the Audit Committee, Nomination and Remuneration Committee, Risk Management Committee, Executives Committee and Compliance and Governance Committee. The authorities, duties and responsibilities of such committees are shown in the Management Structure section.

#### 5.2 Authorities, duties and Responsibilities of the Board of Directors

Authorities, duties, responsibilities of the Board of Directors and matters under the authority of the Board of Directors are shown in the Management Structure section.

#### 5.3 Vision and Mission

The Bank's Board of Directors, in conjunction with the Executive Committee, reviews the Bank's vision and mission periodically so as to make adjustments that

reflect the business strategy in the future. Furthermore, the Board of Directors has sporadically monitored the management's business operation in accordance with the Group's strategic direction.

In the previous year, the Board of Directors in the meeting no.11/2559 dated on October 27, 2016 reviewed the Bank's vision and mission in order to be in consistence with the business target and strategy.

#### 5.4 Business Ethics

The Group realizes the importance of its good reputation. Maintaining trust with clients, colleagues, shareholders, regulators and the general public is the obligation of every director, executive, officer and employee. All directors, executives and employees must comply with laws, rules and regulations and policies that govern or apply to the Group's businesses and adhere to high professional standards of integrity and to key principles of business conduct in the performance of their duties. This is because the Group's businesses are predicated on the trust and respect of clients and the general public.

The Board of Directors has approved the Guidelines for Business Conduct so that directors, officers and employees of the Group have a standard framework for the performance of duties. The Guidelines for Business Conduct of the Group set key principles on significant issues, which are (1) conflict of interest; (2) corporate opportunities; (3) confidentiality obligations; (4) fair dealing; (5) respect for the individual; (6) safeguarding the Bank's information, assets and property; (7) compliance with law; (8) the Bank's written and electronic communications; and (9) commitment to promoting ethical conduct (as per details shown on the Bank's website). The Bank communicates and disseminates the Guidelines for Business Conduct via its intranet so that employees and executives acknowledge and comply with the guidelines when they perform their duties. Furthermore, all employees of the Bank have to do the E-learning and pass the test on the Guidelines for Business Conduct.

#### 5.5 Conflict of Interest

A conflict of interest occurs when an individual's



private interest interferes in any way or even appears to interfere with the interests of the Group as a whole. A conflict situation can arise in various businesses of the Group. Therefore, the Board of Directors has set the written policy on conflict of interest which is used for the Bank and companies in the Group.

The Group expects each director, management and employee to avoid activities, interests or associations that may interfere with the independent exercise of his or her judgment or the best interests of the Group, its clients, its shareholders or the public or activities that are unethical or can damage the Group's good reputation.

The Bank and companies in the Group will not proceed with any transaction that may lead to conflict of interest, unless such transaction is conducted in compliance with law and ethics or under the following principles.

- Transactions that provide the utmost benefit to clients or are necessary and beneficial to clients in the circumstances;
- Transactions that are normal business operations executed on an arm's-length basis with the general public; or
- Transactions to comply with conditions specified by any regulator to perform to ensure transparency or fairness for clients.

#### 5.6 Risk Management Policy

The Board of Directors, via the Risk Management Committee, closely regulates the risk management policy embracing the management of risks throughout the entire organization with emphasis on establishing, for each business group 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 Group has roles and duties to regulate, monitor and review the mechanics of risk management and control in each business unit and business group. Furthermore, each business unit will be allocated capital in an amount depending on the level of its transaction risks and business operation losses.

Moreover, the Risk Management Group arranges training and educates employees of the Bank and companies in the Group on risk management to build an understanding of risks and encourage employees' involvement in managing risks.

#### 5.7 Board Meeting

Each year the Bank schedules regular meeting dates and agendas for the Board of Directors' meetings in advance prior to the end of the earlier year so the Corporate Secretary can inform the Board members of those meeting schedules and agendas for the coming year. Additional Board meetings may be held, if necessary. Each director should have at least 75% attendance of all the meetings held in a year.

Number of the board meetings should be consistent with the duties and responsibilities of the Board of Directors and not less than six times per year. During 2016, the Board of Directors met thirteen times. Also, there was one internal meeting among non-executive directors to discuss management matters of interest and the result from such meeting had been reported to the Board of Directors. (The attendance record of each director is shown in the Management Structure section.)

The Banks' Corporate Secretary is responsible for the meeting arrangement and sending notices of meetings together with relevant documents to each Board member not less than seven days prior to the meeting date, except 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 item. Each meeting agenda item is well-defined whether it is for acknowledgement, approval, consideration or regular follow-up on the operating results.

The agenda items for the Board meeting are prioritized in order to manage the meeting time for the utmost benefit. During the Board meeting, the Chairman of the Board allocates ample time for the management to report and for adequate discussion. Minutes of meetings are recorded, certified by the Board of

Directors and made available for examination by the Board and relevant parties.

In addition, the Chairman of the Board encourages the CEO to invite senior executives to attend the Board meetings to present additional information and get acquainted with the Board members. The Bank also grants opportunities for the directors to request additional and necessary information from the CEO, President, Corporate Secretary or other senior executives within the specified policy framework.

## 5.8 Development of Directors and Executives

The Bank encourages its directors and executives to participate in seminars and training session of the IOD, SET, Thai Listed Companies Association, Thai Bankers' Association or other institutions to benefit the performance of their duties for the Bank and the Group.

In 2016, there were twelve directors and senior executives attending the training programs of the IOD and SET as per details shown in Profiles of the Directors, Executives, Controlling Persons and Corporate Secretary section and summarized as following:

Name of Director and Senior Executive	Course	Course Organizer
1. Mr. Supol Wattanavekin	<ul style="list-style-type: none"> <li>- Risk Management Program for Corporate Leader (RCL 3/2016)</li> <li>- Seminar "SET 100 Civil and State Cooperation" (2016)</li> </ul>	<ul style="list-style-type: none"> <li>- Thai Institute of Directors Association (IOD)</li> <li>- The Stock Exchange of Thailand (SET)</li> </ul>
2. Mrs. Dayana Bunnag	<ul style="list-style-type: none"> <li>- Advance Audit Committee Program (AACP 24/2016)</li> </ul>	<ul style="list-style-type: none"> <li>- Thai Institute of Directors Association (IOD)</li> </ul>
3. Mr. Chet Pattrakornkul	<ul style="list-style-type: none"> <li>- Forum for director : Corporate Governance Code (2016)</li> </ul>	<ul style="list-style-type: none"> <li>- Thai Institute of Directors Association (IOD)</li> </ul>
4. Mr. Veravat Chutichetpong	<ul style="list-style-type: none"> <li>- Corporate Governance for Capital Market Intermediaries (CGI 15/2016)</li> </ul>	<ul style="list-style-type: none"> <li>- Thai Institute of Directors Association (IOD)</li> </ul>
5. Mr. Tarnin Chirasoonton	<ul style="list-style-type: none"> <li>- Corporate Governance for Capital Market Intermediaries (CGI 11/2016)</li> </ul>	<ul style="list-style-type: none"> <li>- Thai Institute of Directors Association (IOD)</li> </ul>
6. Mr. Suraphol Kulsiri	<ul style="list-style-type: none"> <li>- CG Forum 2/2016 "Honesty, Caution : Shield for Directors"</li> <li>- IOD Special Event 6/2016 : Family Business Club Dinner : The Professional Management Succession of Family Business</li> </ul>	<ul style="list-style-type: none"> <li>- The Stock Exchange of Thailand (SET)</li> <li>- Thai Institute of Directors Association (IOD)</li> </ul>
7. Mr. Banyong Pongpanich	<ul style="list-style-type: none"> <li>- Corporate Governance for Capital Market Intermediaries (CGI 15/2016)</li> </ul>	<ul style="list-style-type: none"> <li>- Thai Institute of Directors Association (IOD)</li> </ul>
8. Ms. Thitinan Wattanavekin	<ul style="list-style-type: none"> <li>- IOD Special Event 6/2016 : Family Business Club Dinner : The Professional Management Succession of Family Business</li> <li>- Anti-Corruption : The Practical Guide (ACPG) 33/2016</li> </ul>	<ul style="list-style-type: none"> <li>- Thai Institute of Directors Association (IOD)</li> <li>- Thai Institute of Directors Association (IOD)</li> </ul>





Name of Director and Senior Executive	Course	Course Organizer
9. Mr. Aphinant Klewpatinond	- Corporate Governance for Capital Market Intermediaries (CGI 15/2016)	- Thai Institute of Directors Association (IOD)
10. Mr. Krittiya Veeraburus	- Corporate Governance for Capital Market Intermediaries (CGI 14/2016)	- Thai Institute of Directors Association (IOD)
11. Mrs. Patraporn Milindasuta	- CG Forum 1/2016 "Ethics : Corporate Governance Conscious" - CG Forum 2/2016 "Honesty, Caution : Shield for Directors" - ASEAN Corporate Secretaries Professional Exchange Programme (PEP) to Hong Kong (2016)	- The Stock Exchange of Thailand (SET) - The Stock Exchange of Thailand (SET) - The Hong Kong Institute of Chartered Secretaries
12. Mrs. Kulnan Tsanthaiwo	- IOD Special Event 6/2016 : Family Business Club Dinner : The Professional Management Succession of Family Business	- Thai Institute of Directors Association (IOD)

Also, the Corporate Secretary Department arranges Executive Talk sessions on the business operation of the Group for directors and executives. During 2016, there were six sessions on the following topics:

- Market Risk Control Overview of the Financial Group
- IT Master Plan for Year 2016-2018
- World Economic Forum and Innovation through Design Thinking
- Economic Update
- National E-Payment
- Macro and Financial Industry Landscape 2017

#### 5.9 Directorship in Other Companies of Directors

The Bank is well aware of the value of the experience the directors will gain by being directors of other agencies. Nevertheless, in order to allow executive directors to have sufficient time to perform their duties to the fullest extent, the positions held at other agencies must be under the condition that they will not have an adverse effect on the performance of their duties as directors of the Bank.

As stipulated in the Corporate Governance

Principles, directors of the Bank may hold the position of Chairman of the Board, executive director or authorized director at no more than three groups. If the company in which a director holds a title is a single company, then it will be counted as one group. This is consistent with the notification no. sor nor sor.13/2009 dated on July 9, 2009 of the Bank of Thailand. Also, the Corporate Governance Principles of the Bank suggests that the executive directors be director of not more than two companies outside the Group.

Directors of the Bank may not hold shares in any private or public company which operates in the same industry and is considered in direct competition with the Bank, unless the shareholders' meeting has been informed prior to being appointed.

Prior to taking up a post as director, officer or employee in any other business, a director must receive approval from the Bank. If an executive director wishes to take up a post of director in a listed company of the SET, he/she must receive approval from the Executive Committee of the Bank. This is in order to prevent any conflict of interest that may arise.

All newly-appointed directors must disclose all activities and interests outside the Bank and all directors are duty-bound to disclose any changes to the status of the interest outside the Bank to the Bank.

#### 5.10 Directorship in Other Companies of Executives

The Bank is well aware of the value of the experiences the CEO and President of the Bank will gain by being directors of other agencies. Nevertheless, in order to allow senior executives to have sufficient time to perform their duties to the fullest extent, the positions held at other agencies must be under the condition that they will not have an adverse effect on the performance of their duties.

As stipulated in the Corporate Governance Principles, the CEO and President of the Bank may hold the position of Chairman of the Board, executive director or authorized director at no more than three groups. If the company in which they hold title is a single company, then it will be counted as one group.

The CEO and President of the Bank may not hold shares in any private or public company which operates in the same industry and is considered in direct competition with the Bank.

Prior to taking up a post as director, officer or employee in any other business, the CEO and President of the Bank must receive approval from the Office of Compliance. In the case where the CEO or President of the Bank takes up a post of director in a listed company of the SET, he/she must be pre-approved by the Executive Committee of the Bank in order to avoid any conflict of interest that may arise.

Upon entering employment with the Bank, all senior executives must disclose all activities and interests outside the Bank and are duty-bound to inform the Bank of any changes in status of the interest outside the Bank to the Bank.

#### 5.11 Director Orientation

The Bank realizes the importance of duties performed by new directors. Consequently, all new directors are informed with the Group's overall business operation, structure and relevant businesses so they understand the business process and shareholding

structure of the Group. Upon changes in director, the Corporate Secretary Department is responsible for preparing for a new director a set of documents consisting of an annual report, mission, vision, core values, business performance, Articles of Association, Memorandum of Association, director handbook and relevant regulatory notifications.

#### 5.12 Terms of Directorship

The Bank stipulated in Clause 18 of the Articles of Association that at every annual general meeting of shareholders, at least one-third (1/3) of the directors shall retire from the positions. Should the number of directors not be divisible into three equal parts, the nearest number to one-third must retire from office. Directors retiring by rotation can be re-elected as directors. In short, an average term of a director is three years.

However, the Bank does not specify a maximum number of years and terms any director can be in office in order for the Bank not to lose its opportunity to appoint knowledgeable, capable and experienced directors who are a successful factor in directing the Bank.

#### 5.13 Succession Plan

The Board of Directors assigns the duties to the Nomination 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 Board of Directors, shall involve the preparation for selection of successors in levels from the First Vice President up to the Chief Executive Officer and President. This aims to assure the continuity of the Bank's business operation and the practices which are in line with the policies and standards applied to financial institutions.

The Bank's succession plan consists of procedures which (1) survey and identify positions; (2) assess and approve a list of successors; (3) plan for successor development; and (4) follow up on the successor development. Such a succession plan has been annually reported to the Board of Directors for acknowledgement.



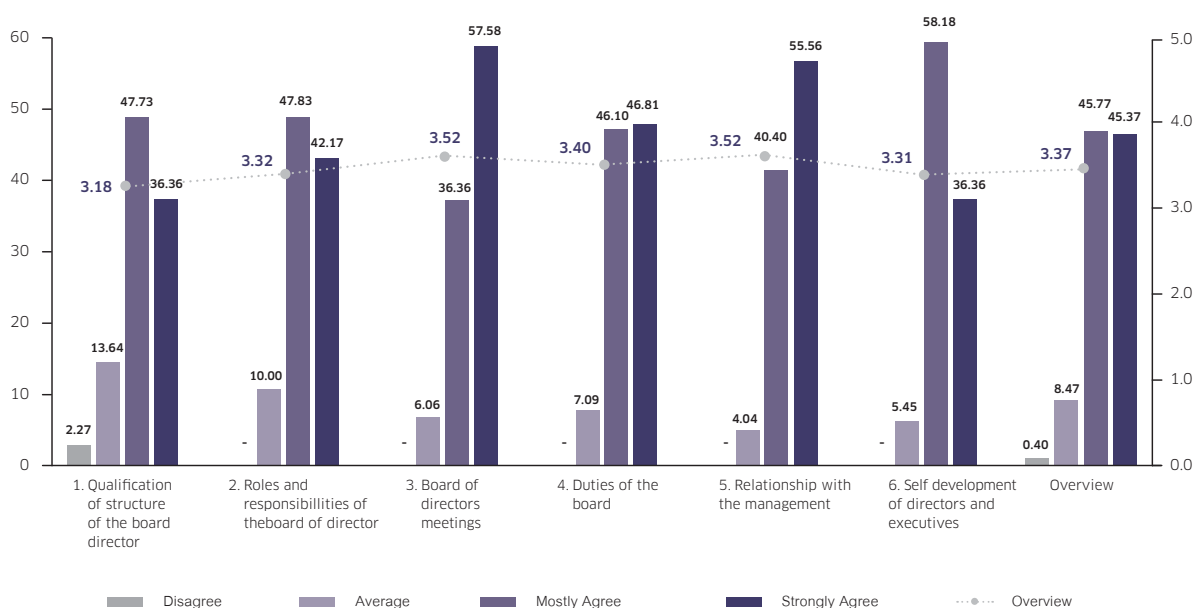
#### 5.14 Board of Directors' Self-assessment as a Whole

The Board of Directors has conducted its annual self-assessment to determine whether or not, over the past year, it has carried out its duties completely and appropriately according to the framework of authorities and responsibilities and Corporate Governance Principles. The assessment result is gathered and summarized by the corporate secretary.

The assessment form used for the Board of Directors has been adapted from the assessment form of the SET with changes making it suitable for the Bank's Board of

Directors. It assesses six 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, of which the entire aspects accounted for sixty-nine individual subjects as a whole within the range of 0-4; strongly disagree to strongly agree. The result of the 2016 annual assessment of the Board of Directors as a whole is a favorable result with an average score of 3.37.

The table below shows the result of the Board of Directors' self-assessment as a whole for the year 2016.



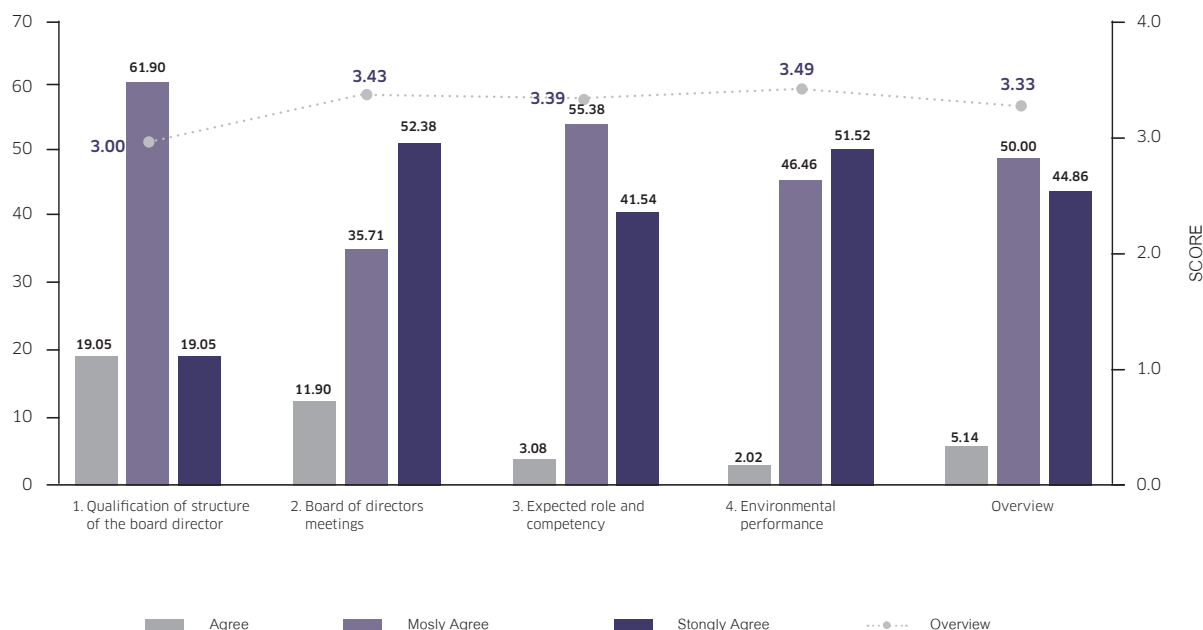
#### 5.15 Board of Directors' Self Assessment as an Individual

In 2016, the Board of Directors has conducted its self-assessment as an individual. The assessment result is used to improve the performance of the Board of Directors. The self-assessment as an individual is conducted on a yearly basis.

The assessment form used for the Board of Directors has been adapted from the assessment form of the SET with changes making it suitable for the Bank's Board of

Directors. It assesses four major aspects: (1) Qualifications of Structure of the Board Members; (2) Board of Directors' Meetings; (3) Expected Role and Competency; and (4) Environmental Performance of which the entire aspects accounted for twenty-seven individual subjects as a whole within the range of 0-4; strongly disagree to strongly agree. The result of the 2016 annual assessment of the Board of Directors as an individual is a favorable result with an average score of 3.33.

The table below shows the result of the Board of Directors' self-assessment as an individual for the year 2016.



#### 5.16 Sub-committees' Self Assessment

In 2016, all five sub-committees under the supervision of the Board of Directors performed their self-assessment and reported the results to the Board of Directors.

The Executive Committee and the Risk Management Committee performed their self-assessment by using the assessment form of which questions were divided into four topics, which were the performance according to duties, authorities and responsibilities, the committee's meeting, the performance of the chairperson and the minutes of the committee's meetings. The answer scale was 1-5 rating from the lowest to the highest. The results of the self-assessment of the Executive Committee and the Risk Management Committee were an average of 4.20 and 4.34 respectively.

The Compliance and Governance Committee performed its self-assessment by using the assessment form in which questions were divided into six topics. These were the structure and qualification of the committee, the roles, duties and responsibilities of the committee, the committee's meeting, the performance

of the committee, the relationship with management and the self-improvement of committee members. The answer scale was 0-4 from totally disagreeing to totally agreeing. The result of the self-assessment of the Compliance and Governance Committee was at an average of 2.60.

The Audit Committee performed its self-assessment by using the assessment form developed from the assessment form published with the Audit Committee's manual of the SEC. The assessment form consisted of three main parts, which were Part 1: the appropriateness of the structure and composition of the committee and the general environment that could help the committee to effectively perform its task; Part 2: the performance of the committee during the year; and Part 3: the readiness prior to taking up a position in the Audit Committee. The assessment form of the Audit Committee had one hundred and twenty-two questions in total. It aimed to improve the environment to facilitate the performance of the committee as well as the charter of the committee to be more suitable. The result showed that the Audit Committee was of the opinion that the



structure and composition of the committee and the general environment helped the committee perform its duties effectively (89%); the committee had performed its tasks according to the scope of work, authorities and responsibilities in the previous year (92%); and the Audit Committee's members were ready for taking up positions as independent directors/ Audit Committee's members.

The Nomination and Remuneration Committee performed its self-assessment by using the assessment form in which questions were divided into six topics. They were the structure and qualification of the committee, the roles, duties and responsibilities of the committee, the committee's meeting, the performance of the committee, the relationship with management and the self-improvement of committee members. The answer scale was 0-4 from totally disagreeing to totally agreeing. The result of the self-assessment of the Nomination and Remuneration Committee was at an average of 3.24.

#### 5.17 Executive Performance Evaluation

On an annual basis, the Chairman of the Nomination and Remuneration Committee, who is an independent director, shall conduct a performance evaluation of the CEO and President. The evaluation will be conducted by the Banks' directors and its result shall be taken into account in determining their remuneration. The evaluation also serves as feedback to the executives reflecting the needs to review strategies, policies and management approaches to improve the management effectiveness and efficiency.

Evaluation results shall be shared with the executives by the Chairman of the Board of Directors to establish mutual understanding on expectations of the Board of Directors.

#### *Evaluation Methodology*

Executive performance evaluation consists of the following parts:

1. Bank Performance Appraisal, which shall be evaluated by all directors.
2. CEO and President Performance Evaluation, which is self-evaluation, and evaluation by directors and members of committees of which

the CEO and President serve as Chairperson.

The Nomination and Remuneration Committee's secretary shall collect evaluation results, compile, and report a summary of evaluation results to the Nomination and Remuneration Committee and to the Board of Directors respectively.

#### *Evaluation Framework*

1. The following criteria are employed in evaluating the Bank's performance:

- 1.1 Profitability
- 1.2 Overall Financial Status
- 1.3 Bank's Strategy and Goals Formulation
- 1.4 Risk Takings and Risk Management System
- 1.5 Overall Effectiveness of the Bank's Management
- 1.6 Human Resource Management Efficiency
- 1.7 Bank's Image and Perception Towards Its Stakeholders
- 1.8 Collaboration and Efficiency in Working with the Board of Directors

2. The following criteria are employed in evaluating the CEO and President's performance:

- 2.1 Visionary Leader
  - 2.1.1 Establishing Direction and Group Business Structuring
  - 2.1.2 Vision and Strategic Thinking
  - 2.1.3 Driving Synergies and Collaboration
  - 2.1.4 Organization Development
  - 2.1.5 Understanding Stakeholders
- 2.2 Corporate Governance
  - 2.2.1 Implementing Corporate Governance
  - 2.2.2 Being Responsive to Stakeholders' Concerns and Needs
  - 2.2.3 Managing Effectiveness of Committees
- 2.3 Planning and Execution
  - 2.3.1 Creating Alignment of Strategy Execution
  - 2.3.2 Systematic Planning
  - 2.3.3 Problem Solving and Decision Making
  - 2.3.4 Collaborating with Related Committees
- 2.4 Leadership Role Model
  - 2.4.1 Aligning Executives and Stakeholders
  - 2.4.2 Building Engagement among Executives

2.4.3 Achievement Motivation

2.4.4 Self Controlling and Working Under Pressure

2.4.5 Personnel Management and Development

2.4.6 Demonstrating Good Governance

2.4.7 Demonstrating a Sense of Belonging

2.5 Change Management

2.5.1 Pro-activeness

2.5.2 Leading Change

Besides the corporate governance practices mentioned above, there are some corporate governance assessment guidelines below which the Bank has not yet applied.

1. Using cumulative voting for electing directors

The Bank does not use cumulative voting for electing directors as the Bank's Articles of Association states that a shareholder shall have one vote for one share and each shareholder shall use all his or her votes to elect one or several persons as a director. However, he or she may not divide his or her votes among any candidates.

2. The Board of Directors has more than 50% independent directors, while the Chairman of the Board of Directors is an independent director.

Presently, out of the total of twelve directors, the Bank's Board of Directors has five independent directors representing 42%. Meanwhile, the Chairman of the Board of Directors is a non-executive director. However, the proportion of independent directors in the Board of Directors has been increased from 33% in the previous year (five independent directors out of the total of fifteen Board members.)

3. Limit on the number of years for independent directors to be in office

The Bank's independent directors are qualified experts and have understanding of commercial banking and capital market businesses which require specific expertise, knowledge and experience. The Bank and shareholders deem that its independent directors are still able to independently perform their duties with responsibility.



## Supervision of Subsidiaries and Affiliates

The Bank supervises the companies in the Group by having the Board of Directors determine the overall strategic direction and goals and approve the Group's policies and business direction proposed by the Executive Committee and the nomination of qualified candidates for the position of Managing Director and Chief Executive Officer of the Group companies selected and proposed by the Nomination and Remuneration Committee to act as the Bank's representatives in overseeing the Group's business operations.

In relation to an oversight of overall management, the Bank, through the Board of Directors has established the Group's monitoring and overseeing structure which covers the areas of risk management, internal control system monitoring, compliance and business administration.

As the Bank recognizes the importance of information disclosure under the Corporate Governance Principles, the Board of Directors has assigned Compliance and Governance Committee to supervise the Group's regulatory compliance through the Bank's Office of Compliance who shall be responsible for monitoring performance of the Group's Compliance units and directly reports to the Committee.

Moreover, the Board of Directors has assigned the Audit Committee to ensure appropriate and efficient internal control system by having the Bank's Office

of Internal Audit oversee the internal audit system, monitor performance of the Group's internal audit units in non-Capital Market Business and directly reports to the Committee. In addition, the Board of Directors of the companies in the Capital Market Business and/or the Audit Committee of those companies shall be responsible for supervising the Group companies in Capital Market Business through the Group's internal audit units to operate under sufficient and appropriate internal control system and directly reports to the Bank's Audit Committee.

This year, the Bank has improved the Guideline on the Group's supervision and the Bank's policies and regulations in relation to overseeing the Bank's and the Group companies' business operation in order to enhance working procedures, to prevent conflict of interest on which the Bank places importance and to align with the laws and regulations issued by regulators, namely BOT, OIC and guidelines on consolidated supervision and SEC such as Compliance Policy, the Group's regulations such as, the Group's Anti-Money Laundering and Combating the Financing of Terrorism Policy, Bancassurance Business Policy, IT Policy, Strategic and Operational Risk Management Policies, Guidelines for Reporting Connected Transaction and Strategic Shareholders, etc.

## Supervision of Usage of Internal Information

The Bank has issued a written directive forbidding the use of internal information for personal gain or others which would be taking advantage of others. The Bank has forbidden directors, executives, employees and related persons including spouse and children and adopted children who are under the legal age to use any undisclosed information which could affect the change in the value of the shares or for the securities trading of the Bank. The directors, executives and employees who can access such undisclosed information must ask for approval prior to trading securities of the Bank at least one day and the approval is valid from the next business day until the end of the next third business day. In addition, the Bank has instructed that directors, executives, their spouses and children who are under the legal age and any other related persons to report (Form 59-2), any changes in the status of their holdings of the Bank's securities, within three business days since the date of purchase, sale, transfer or receipt of such securities to the SEC and also hand in a copy of the form to the corporate secretary, so it will be reported in the Board of Directors' meeting and disclosed in the annual report.

The Bank has forbidden any directors, executives or employees, who are aware of the Bank's important information and financial statements, to trade the Bank's securities, seven days prior to the end of the quarter until at least one trading session has elapsed after the Bank's financial statement has been made available to the public. However, this regulation does not include the issuance of the warrants to purchase new ordinary shares offered to executives or employees of the Bank.

In addition, the Bank has also continually provided information on the practices of the usage of internal Information communication within the Bank's directors, executives and employees at all levels throughout the entire organization, so that they are aware of the duties and responsibilities as set out in the Bank's regulations.

The Office of Internal Audit reviews the practice of the usage of internal information and compliance with the Guidelines for Business Conduct. Any violations will be reported to the Audit Committee and the Board of Directors for consideration according to the Bank's regulations.





## Auditor's Remuneration

In 2016, the Bank and its subsidiaries engaged PricewaterhouseCoopers ABAS Ltd. as an external auditor for the Bank and its subsidiaries and incurred the fee charge as follows:

### **Audit Fee**

The Bank and its subsidiaries engaged PricewaterhouseCoopers ABAS Ltd. for audit and other audit-related services and incurred expenses including the audit fee totaling Baht 11.36 million.

### **Non-audit Fee**

The Bank and its subsidiaries paid the non-audit fee for other services including services for electronic fund transfer audit, corporate income tax review, training on the topic of business continuity Management to PricewaterhouseCoopers ABAS Ltd. in the previous accounting period, totaling Baht 1.20 million.

# Internal Controls

## Summary of Internal Controls and Risk Management

The Group pays attention to the importance of good governance and requires its executives and employees 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 employees on their particular duties and roles through effective corporate communications fostered by the senior 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 Group'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 compliance. 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 Group 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 ERM, the Group undertakes the following actions:

#### **1) Internal Environment**

The Group encourages its directors, executives and all staff to recognize the necessity of an internal control system. The Board of Directors and board-appointed

committees ensure 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 Group prescribes in writing its Guidelines for Business Conduct and conflict of interest policy which prohibit executives and employees from acting in a manner that would create a conflict with the organization's interests, as well as prescribing penalties for violations thereof. The Group has established the Office of Internal Audit, the Office of Compliance, and the Risk Management Group which are the key supporting arms ensuring efficiency of good governance, internal controls, and risk management. The Group has also established in writing policies and procedures that strictly govern financial transactions, procurement, general administration and fraud protection measures. In addition, it has 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 Group's business functions.

#### **2) Objective Setting**

Each of the Group's business units is required to set its objectives that are linked to the Group's corporate vision, mission and strategies, with clearly defined key performance indicators. In brief, the "SMART" concept, which is an acronym for criteria for setting of objectives that represent business imperatives, is applied. This concept includes the following:

*Specific:* targeted returns or outcomes are clearly defined and comprehensible to all employees.

*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 Group identifies internal and external events that can affect 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 Risk Management Group, under the supervision of the Risk Management Committee, regularly communicates with relevant functions of the Group to remain aware and comply with such risk management measures. The Office of Internal Audit shall review and monitor relevant implementations thereof to assure compliance with the prescribed risk management plans by each unit.

### **5) Risk Response**

The Risk Management Group, together with related business units, determines risk response methods for mitigation of such risk to an acceptable threshold. Exploring appropriate risk response methods to the probability or consequences of a risk event is undertaken via cost-benefit analysis. The Group continually and consistently monitors and reviews its risk response measures.

### **6) Control Activities**

The Group clearly prescribes in writing its delegation of authority governing all its authority levels in the

management and committees. The controls 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 Group undertakes transactions with its major shareholders, directors, executives or connected parties thereof, the Group also sets approval measures to govern such transactions, and in the event that the Group has investments in its subsidiaries or affiliates, the Group also monitors the business operations of such entities on a regular basis. The Group provides strategic directions to an individual whom it has appointed to serve as director or management of such entities to comply with. The Compliance Department monitors legal compliance of the Group to assure the mitigation of reputation risk. In the event of error and deficiency, a fact-finding panel comprising an independent body shall be established to investigate facts as well as to propose remedial and improvement methods to prevent any recurrence of such error and deficiency.

### **7) Information & Communication**

The Group has arranged to have an information technology system that can adequately 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 employees and encourages them to apply such knowledge and proficiency in their work duties. The Group also promotes business expertise and advisory skills among employees to enable them to better serve their clients, trade partners

and related parties, as well as render maximized corporate benefits as per the Group's targeted vision and mission.

#### 8) Monitoring

The Group has processes, procedures and tools to support its executives, Board members and committees to monitor business operations, improve efficiency and make assessments according to the 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 Group prescribes the reporting of its operational results, performances, and 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 meetings, 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 Department, Risk Management Group and Office of Internal Audit, 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 Group has appropriate internal control systems, thus making it capable of achieving its targeted goals.

### 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 have sufficient and appropriate internal control systems, 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 its internal control systems and management has given serious attention to these issues in order to correct and improve the performance

of the system. The Audit Committee shared similar views to those of the Board of Directors. The external auditors did not make any remarks which could be deemed as being of any significance on the Group's internal controls. The related party transactions between the Group and persons who could present potential conflicts of interest which are necessary, undertaken in the ordinary course of business, and at market price, are disclosed in the notes to the financial statements.

The Group arranges to have internal control assessment surveys every year. In 2016, the Group's management was engaged in assessing the adequacy of internal controls using the SEC's checklist, which was developed under the New COSO 2013 framework. The assessment results had been reviewed by the Audit Committee and the Board of Directors in order to exchange views and have a common understanding over the state of internal controls so that appropriate actions could be further determined.

### Chief of the Internal Auditor

During the meeting of the Audit Committee no.1/2012 dated on January 11, 2012, the Committee approved the appointment of Dr.Narong Preedanana to hold the position of Executive Vice President, Head of the Office of Internal Audit. The decision was submitted to the Board of Directors for further approval. Dr.Narong Preedanana has over twenty years of internal audit work experience with leading financial institutions. He sufficiently attended various internal audit training courses and has a good understanding of the Group'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 require approval from the Audit Committee. His qualifications are as follows:

Dr. Narong Preedanana

Executive Vice President, Office of Internal Audit

#### Education

- 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 Experience

- 2012 – Present Executive Vice President, Head of Office of Internal Audit, Kiatnakin Bank Public Company Limited
- 2004 – 2011 Senior Vice President, Group Audit, TMB Bank Public Company Limited
- 2001 – 2003 Vice President, Financial Markets Audit, DBS Thai Dhanu Bank Public Company Limited
- 1997 – 2000 Vice President, Head of Internal Audit, Thailand Securities Finance Cooperation (TSFC) Securities Company Limited
- 1992 – 1996 Senior Manager, Finance One Public Company Limited
- 1991 – 1992 Management Internal Control, the Chase Manhattan Bank N.A.
- 1987 – 1990 Audit Officer, Siam Commercial Bank Public Company Limited

#### Training

- 2016 Cyber Security organized by PricewaterhouseCoopers ABAS Co., Ltd.
- Fighting Fraud with Big Data and Analytic organized by ACL Services Ltd.
- Preparing for Basel III Implementation organized by Regulatory Intellect Ltd.
- Practical 'FRAUD' Prevention, Detection & Litigation organized by OmegaWorldClass
- New Transfer Pricing Legislation organized by PricewaterhouseCoopers ABAS Co., Ltd.
- New COSO Internal Control Framework 2013 organized by the SET
- Workshop for Practical Issues in Thai Financial Reporting Standards organized by Deloitte Touche Tohmatsu Jaiyos Advisory Co., Ltd.
- Final FATCA Regulations Workshop organized by

Deloitte Touche Tohmatsu Jaiyos Advisory Co., Ltd.

- TFRS & IFRS Excellence organized by Deloitte Touche Tohmatsu Jaiyos Advisory Co., Ltd.
- Director Certification Program (DCP) organized by the Thai Institute of Directors Association
- Director Accreditation Program (DAP) organized by the Thai Institute of Directors Association
- Knowledge relating to Internal Audit profession, Banking and Financial Markets; 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/Debtenture (Euromoney), Credit Training Programme, Asset Liability Management, Enterprise Risk Management (COSO ERM)

## Chief of Compliance

During the meeting of the Board of Directors no.1/2014 dated on January 31, 2014, the Board resolved the appointment of Mr. Aphichart Chongsanguanpradab to hold the position of Executive Vice President, Head of the Office of Compliance, effective as of February 1, 2014 and the Bank of Thailand has approved such appointment. Mr. Aphichart Chongsanguanpradab has over nineteen years of experience in compliance, supervisory policy for securities business, and internal audit of financial institutions. He attended various training courses, Operational Supervision for Head of Compliance, for three courses organized by Thai Bankers' Association together with Thai Institute of Banking and Finance Association, the Association of Investment Management Companies (AIMC) and the Association of Thai Securities Companies (ASCO) including the Compliance Officer Program organized by the Bank of Thailand together with the Faculty of Law, Chulalongkorn University and the Thai Bankers' Association. His qualifications are as follows:

Mr. Aphichart Chongsanguanpradab  
Executive Vice President, Office of Compliance

#### Education

- Bachelor of Accountancy, Chulalongkorn University
- Master of Business administration with Finance Concentration, Eastern Michigan University

#### Certificates or Diploma Programs

- Operational Supervision for Head of Compliance in 2015 organized by Thai Bankers' Association together with Thai Institute of Banking and Finance Association for Head of Compliance Unit in 2015
- Compliance Refresher Course in 2015 organized by the Association of Investment Management Companies (AIMC)
- ASCO Compliance Training Program in 2015 organized by the Association of Thai Securities Companies
- Compliance Officer of Commercial Bank organized by the Bank of Thailand together with the Faculty of Law, Chulalongkorn University and the Thai Bankers' Association
- Bond Regulatory Update organized by the Thai Bond Market Association
- Audit Program Development organized by the Institute of Internal Auditors of Thailand

#### Work Experiences

2014 -Present	Executive Vice President, Compliance Department, Kiatnakin Bank Public Company Limited
2011-2014	Head of Operation Department, 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

- Legal Issues of E-Payment organized by Siam Commercial Bank Public Company Limited
- Preparing for Basel III Implementation Training organized by the International Association of Risk and Compliance Professionals (IARCP)
- Money Laundering Enforcement Seminar: Comply with Anti-Money Laundering Office (AMLO) and Global Regulators organized by SAS Software (Thailand) Company Limited
- Anti-Money Laundering and Counter Financing of Terrorist (AML/CFT) for Financial Regulations and Transaction Reports Training organized by the AMLO
- FinTech Seminar organized by the Thai Bankers' Association
- The Amendment of Securities and Exchange Act Seminar organized by the SEC
- The Rule of Law organized by the Faculty of Law, Thammasart University, and Compliance Club of the Thai Bankers' Association
- SEC FinTech Forum: Blockchain Seminar organized by the Association of Thai Securities Companies
- Introduction of New Securities and Exchange Act Seminar organized by the SEC
- Disruptive Technology and Regulatory Supervision organized by Siam Commercial Bank Public Company Limited
- OWASP (Thailand): A7 Missing Function Level Access Control Seminar organized by the SEC
- Enhancing Understanding in Supervision and Audit of Financial Institutions which have the duty to report the transaction to the AMLO in Accordance with the AML/CFT Act organized by the Association of Thai Securities Companies
- 2nd Improving Guidelines in Accordance with the AML/CFT Act (for Banks) Seminar organized by the AMLO
- Raising Fund from Intellectual Property under the Business Collateral Act B.E. 2558 organized by Thailand Development Research Institute



- Business Collateral Act B.E. 2558 and Its Impact to Commercial Banks Seminar organized by the SEC
  - The Role of Financial Institutions provides to support Anti-Money Laundering and Counter Financing of Terrorist (AML/CFT) organized by Supervision and Examination Division of the AMLO
  - Preparation for Asian Economic Community in the Bank' AML transaction reports organized by the Anti-Money Laundering Office
  - Operational Understanding in accordance with the AML/CFT Act organized by the AMLO
  - Preparation for AML/CFT international standard assessment organized by the AMLO
  - Compliance Meeting Training Program 2014 for Compliance Officer organized by the SEC
  - Financial Action Task Force (FATF): Anti-Money Laundering and Audit organized by the Thai Institute of Banking and Finance Association
  - Overview of Legal and Regulatory Regime, Sanctions, Cross-border Projects and ASEAN Integration 2015 organized by Myanmar Legal Services Company Limited
  - Enhanced Tax Enforcement Under FATCA: What are the Risks to Asia's Financial Institutions organized by Chandler & Thong-EK Law Offices Company Limited
  - 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 the AMLO
  - FATCA Training Workshop organized by KPMG (Thailand) Company Limited
  - FATCA Training organized by Standard Chartered Bank (Thai) Public Company Limited
2. Determine Office of Compliance's goals and objectives which are appropriate with organizational direction as well as their benchmarks with the management
  3. Prepare performance evaluation, monitoring, following up on guidelines and performing assessments 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 products or financial transactions to directors, management and employees
  7. Assess the process sufficiency and effectiveness and provide solutions to other parties to improve processes which are in connection with compliance matters
  8. Determine guidelines for record retention of agreements between the bank and clients, e.g. hire purchase agreements, loan agreements, etc.
  9. Determine and evaluate guidelines for compliance compliance surveillance program with relevant laws and regulations enforced on 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 potentially suspicious transactions as well as report to the AMLO and collectively consider mutual resolution.

#### Roles and Responsibilities of Chief of Compliance

1. Provide Office of Compliance's strategic plan (business, budget, resource plans) consistent with organization direction and strategy

## Related Party Transactions

In 2015 and 2016, 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 SEC. These related party transactions do not lead to any conflict of interest.

### 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 conflict of interest. When considering entering into any related party transactions with any party or person that may have any potential conflict 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.

### Significant Related Party Transactions

1. Significant related party transactions with subsidiaries.

Name	Relationship	Description of Transaction	Transaction Amount (Baht Million)		Reasons and Necessities
			2015	2016	
Phatra Capital Public Company Limited/ PHATRA	99.98% owned by the Bank	<ul style="list-style-type: none"> <li>- Loans</li> <li>- Deposit</li> <li>- Other assets</li> <li>- Other liabilities</li> <li>- Interest income</li> <li>- Dividend income</li> <li>- Other income</li> <li>- Other expense</li> </ul>	1,500 - 7 74 81 504 3 98	1,090 6 10 83 73 1,020 10 115	The Bank calculated interest at the normal rate similar to regular clients.
Phatra Securities Public Company Limited/ PTSEC	Indirectly holding via PHATRA of 99.95%	<ul style="list-style-type: none"> <li>- Loans</li> <li>- Deposit</li> <li>- Other assets</li> <li>- Other liabilities</li> <li>- Interest income</li> <li>- Other income</li> <li>- Interest expense</li> <li>- Other expense</li> </ul>	1,400 2 32 26 1 38 3 29	3,500 11 13 37 14 12 3 38	The Bank calculated interest at the normal rate similar to regular clients.





Name	Relationship	Description of Transaction	Transaction Amount (Baht Million)		Reasons and Necessities
			2015	2016	
KKTRADE Securities Company Limited/ KKTRADE	- (1)	- Deposit	147	-	The Bank calculated interest at the normal rate similar to regular clients.
		- Borrowings	30	-	
		- Other liabilities	3	-	
		- Interest income	1	1	
		- Other income	10	4	
		- Interest expense	28	10	
Phatra Asset Management Company Limited/ PASSET	Indirectly holding via PHATRA of 99.97%	- Other income	6	4	
Erawan Law Office Company Limited	99.96% owned by the Bank	- Deposit	60	6	The Bank calculated interest at the normal rate similar to regular clients.  Legal fee
		- Dividend income	-	53	
		- Other income	6	-	
		- Other expense	86	-	
The Asia Recovery 1 Fund	99.95% owned by the Bank	- Dividend income and profit sharing	81	16	
The Asia Recovery 2 Fund	99.59% owned by the Bank	- Other income	-	1	
The Asia Recovery 3 Fund	99.97% owned by the Bank	- Dividend income and profit sharing	96	63	
		- Other income	2	2	
Thai Restructuring Fund	98.91% owned by the Bank	- Deposit	50	252	
		- Other income	11	11	
Asia Recovery Property Fund 1	- (2)	- Dividend income and profit sharing	31	-	
Asia Recovery Property Fund 3	- (2)	- Dividend income and profit sharing	114	4	Gain (loss) on redemption
		- Other income	13	(17)	
Bangkok Capital Fund	95.72% owned by the Bank	- Deposit	252	52	The Bank calculated interest at the normal rate similar to regular clients.
		- Dividend income and profit sharing	1,427	553	
		- Other income	8	30	

Name	Relationship	Description of Transaction	Transaction Amount (Baht Million)		Reasons and Necessities
			2015	2016	
Gamma Capital Fund	94.03% owned by the Bank	- Deposit	137	197	The Bank calculated interest at the normal rate similar to regular clients.
		- Dividend income and profit sharing	546	573	
		- Other income	17	27	
CMIC Development Company Limited / CMIC	80.58% owned by the Bank	- Loans	975	975	The Bank calculated interest at the normal rate similar to regular clients.
		- Deposit	4	25	
		- Other assets	49	47	
		- Other liabilities	8	7	
		- Interest income	27	49	
		- Rental and service Expenses	133	160	

<sup>(1)</sup> Indirectly holding via Phatra Capital Public Company Limited of 99.99% on 27 April 2016, Phatra Capital Public Company Limited executed an agreement for the sales of all shares in KKTRADE Securities Company Limited (Subsequently changed the Company's name to "Yuanta Securities (Thailand) Company Limited") with Yuanta Securities Asia Financial Securities Limited which is incorporated in Taiwan and subsequently registered changing in shareholders with Ministry of Commerce as July 8, 2016. As a result, KKTRADE Securities Company Limited is not under the control of Kiatnakin Bank Public Company Limited anymore.

<sup>(2)</sup> Liquidated in 2016

2. Related transaction between the Bank and other business entities in which the directors, key executives and related persons have significant influence

Name	Relationship	Description of Transaction	Transaction Amount (Baht Million)		Reasons and Necessities
			2015	2016	
Business entities in which the directors, key executives and related persons have significant influence	Business entities are related to the directors and executives	- Deposit	144	76	The Bank calculated interest at the normal rate similar to regular clients.
		- Loans	1	-	
		- Interest expense	1	27	
		- Borrowings	200	600	
		- Other expenses	73	68	
		- Other liabilities	5	7	



3. Related transaction between the Bank and directors, key executives and related persons have significant influence

Name	Relationship	Description of Transaction	Transaction Amount (Baht Million)		Reasons and Necessities
			2015	2016	
Directors/ key executives/ related persons	Directors/ key executives/ related persons	- Deposit	378	501	The Bank calculated interest at the normal rate similar to regular clients.  PTSEC and PASSET provide services and charge at the same commission rate as other regular clients.
		- Loan	1	1	
		- Borrowings	-	3	
		- Interest expense	8	7	
		- Brokerage income	19	12	

#### Policy and Outlook for Future Related Party Transactions

It is not the Bank's and its subsidiaries' policy to encourage the transacting of related party transactions with any party or persons that may have any potential conflict 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 10.00% by a Person that May Have Potential Conflict, Instead of Direct Holdings

It is not the Bank's policy to have a person that may have potential conflict hold shares in its subsidiaries on behalf of the Bank.

## Responsibility of the Board of Directors to the Financial Report

The Board of Directors is accountable for the Bank's financial statements and consolidated financial statements 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 and used the best estimations where necessary. 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 SEC, and the SET. 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 performance 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 appropriate and effective systems 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 preventing any damage 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 the 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 conflict of interest for the greatest 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 statement (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 satisfactory to provide reasonable confidence in the reliability of the financial statements and the consolidated financial statements of the Bank and its subsidiaries for the accounting year ending December 31, 2016.



Mr. Supol Wattanavekin  
Chairman of the Board of Directors



Mr. Aphinant Kiewpatinond  
Chief Executive Officer and President



## Report of the Audit Committee

The Audit Committee of Kiatnakin Bank Public Company Limited (the “Committee”) comprises three independence directors, each of whom possesses extensive knowledge and experience in finance, accounting, economic and organization management. The terms of service are as follows.

- January 1, 2016 – April 25, 2016: consists of Mrs. Dayana Bunnag as a chairwoman, associated with Mr. Chet Pattrakornkul and Mr. Pravut Varutbangkul as members.
- May 1, 2016 – December 31, 2016: consists of Mrs. Dayana Bunnag as a chairwoman, associated with Mr. Chet Pattrakornkul and Associate Professor Manop Bongsadadt as members.

In 2016 the Committee had ten meetings, with the attendance record of each committee member reported under the Management Structure section in the Annual Report to perform duties in accordance with the role set forth in the Committee’s charter, in summary:

- In each quarter, the Committee reviewed the financial reports through a meeting with executives of the Finance and Budgeting Group, and external auditors to consider all comments made from the auditing and reviewing of financial statements. In addition, on a half-yearly basis, the Committee and external auditors had meetings arranged without the attendance of the executives.
- By working together with the internal auditors, the Committee reviewed the internal control system and the security of the Bank’s information technology system to assess the efficiency and sufficiency of both systems. Moreover, in 2016, the Bank’s management was engaged in assessing the adequacy of internal control, using the SEC’s checklist which was developed under the New COSO 2013 framework. The assessment results were reviewed by the Committee and the Board of Directors in order to exchange views and develop mutual understanding over the state of internal controls so that appropriate actions could be further determined.
- The Committee reviewed and approved the Annual Internal Audit Plan, determined the independence of the Internal Audit Unit and reviewed the annual performance of the Internal Audit Head.
- The Committee reviewed the Bank’s risk management system and measures as reported by Risk Management Function. These include the key risk factors and management response to address those risks, in line with the Bank’s policies, strategies and plans.
- The Committee reviewed related-party transactions or transactions that may lead to conflict of interest, including the disclosure thereon, to ensure that they were in compliance with the laws and regulations imposed by the SET, and were reasonable and for the highest benefit of the Bank.
- On a quarterly basis, the Committee reviewed the Internal Audit’s report to assess whether disclosure and appropriate surveillance and monitoring programs were in place to ensure compliance with the laws and regulations relating to the banking business, including those imposed by the Bank of Thailand, the SEC, the OIC, the AMLO, etc.
- The Committee reviewed the performance of the Bank’s external auditors on their duties over the year. The Committee is of the opinion that the auditors of PricewaterhouseCoopers ABAS Ltd. are independent, possess great skill and knowledge about international auditing standards, and have sufficient resources. In addition, the auditors demonstrated a high level of proficiency in auditing banking and securities business. As a result, the Committee considered and re-nominated PricewaterhouseCoopers ABAS Ltd. as the auditors of the Bank for the year 2017. The Committee has submitted its recommendation on the appointment and remuneration of the Bank’s external auditor to the Board of Directors, to be proposed to the shareholders’ meeting for approval.

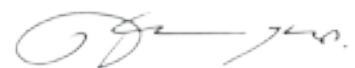
- The Committee considered the Bank's policy on non-audit services to be provided by the Bank's external auditor, aimed at ensuring that non-audit engagement does not impair independence of the Bank's external auditor.
- The Committee has arranged a meeting with other Audit Committees within the Group to exchange the view and opinion regarding the roles of Audit Committee, in accordance with good Governance, Risk and Control ("GRC") framework, so as to allow all committee members to be able to assess overall picture of the Group's internal control.

According to a self-assessment carried out in 2016, the results suggested that the Committee has satisfactorily discharged its duties in accordance with the requirements set out in the Committee's charter.

In summary, the Committee has performed its duties independently and has been open in expressing its opinions for the best benefit of the Bank. The Committee is of opinion that the Bank has appropriate and efficient risk management, and sound internal controls in place for undertaking related party transactions, monitoring compliance with the rules and policies, and for other Bank's operations. The financial statements of the Bank are reliable and have been constructed with sufficient control systems and in accordance with Thai Financial Reporting Standards.

During the year, the Committee has recommended to the Board of Directors so that effective communication be made to all staff levels that the Group has emphasized on the importance of business ethics and conducts, and that the Group has a zero tolerance approach to fraud.

As of January 10, 2017  
On behalf of the Audit Committee



Mrs. Dayana Bunnag  
Chairwoman of the Audit Committee



## Report of the Nomination and Remuneration Committee

The Board of Directors, on October 26, 2002, resolved to appoint the Chairman and members of the Nomination and Remuneration Committee and amended the structure of the Nomination and Remuneration Committee to comply with Bank of Thailand's regulations on Corporate Governance of the Financial Institutions, and to increase the effectiveness of the Committee. As of December 31, 2016, the Nomination and Remuneration Committee consists of three directors as follows:

- |  |                                |
|--|--------------------------------|
| 1. Assoc. Prof. Manop Bongsadatt       | Chairman/ Independent Director |
| 2. Mr. Chet Pattrakornkul              | Member/ Independent Director   |
| 3. Mr. Suvit Mapaisansin <sup>/1</sup> | Member/ Non-executive Director |

<sup>/1</sup> Appointed as member of the Committee to replace Mr. Pravut Varutbangkul, who was the director retired by rotation, effective from May 1, 2016

In 2016, the Committee held six meetings. Summary of the Committee's key resolutions are presented below:

1. Selected and nominated candidates for the Bank's director to replace the directors who were retired by rotation, proposed such candidates to the Board of Directors and subsequently to the annual shareholders meeting of shareholders for election, as well as monitored and ensured that structure, component, and size of the Board of Directors was adequately effective in supporting the Bank's business directions and complied with corporate governance.
2. Assessed and nominated qualified candidates for appointment as the Bank's executives from the Executive Vice President level and higher prior to proposing nominations to the Bank of Thailand for endorsement and subsequently to the Board of Directors for approval and appointment. Consideration of candidates' qualification was given to ensure diversity and appropriateness in terms of knowledge, competence, experiences in order to strengthen and support the Bank's business directions.
3. Arranged the annual performance assessment of the Board of Directors, CEO and President. The assessments were conducted by members of the Board of Directors, and other related committees. The assessment results, including all feedbacks and comments for increasing overall performance of the committees and senior executives, were reported to the Board of Directors for consideration and acknowledgement.
4. Reviewed and ensured that the compensation of the Board of Directors and sub-committees' members were appropriated given as assigned duties and responsibilities and competitive with banking industry practices prior to proposing to the Board of Directors for consideration and subsequently to the shareholder's meeting for approval.
5. Acknowledged bonus and annual merit's budget criteria and guidelines for the Bank's executives from the Executive Vice President level and higher, which were determined based on several factors, such as the performance of the overall organization, function or business unit, the individual performance and total compensation concepts as specified. .
6. Approved compensation of the CEO and President based on scope of duties and responsibilities, and ability to increase long-term shareholders' values under the annual budget framework approved by the Board of Directors.

7. Provided guidance on succession planning of senior executive positions, to be implemented to ensure the Bank's business continuity and supporting business directions.

The Nomination and Remuneration Committee provided disclosure of relevant information on remuneration and compensation in various forms including the report of the Committee presented in 2016 Annual Report.



Assoc. Prof. Manop Bongsadadt  
Chairman of the Nomination and Remuneration Committee





## Report of the Compliance and Governance Committee

The Compliance and Governance Committee of Kiatnakin Bank Public Company Limited (the “Committee”) oversees the governance and compliance of the Bank and companies in the Group to ensure their compliance with laws, regulations, rules, and principles of good corporate governance.

The Committee is comprised of the three following directors; Mr.Chet Pattrakornkul (an independent director as the Chairman of the Committee), Mr.Tarnin Chirasoonton (a non-executive director) and Mrs.Patraporn Milindasuta (an executive director and the Chief Governance Officer). In 2016, Mr. Pravit Varutbangkul, an independent director was retired by rotation effective from April 26, 2016.

In 2016, the Committee held six meetings and undertook the following important actions:

- Reviewed the Corporate Governance Principles Policy of the Bank and made suggestions on improvement to be in line with the Corporate Governance Guidelines for Thai Listed Companies and ASEAN Corporate Governance Scorecard and to be more comparable to international standards prior to proposing to the Bank’s Board of Directors for approval.
- Reviewed the Compliance Policy of the Group to be in line with current operation and to be applied to the Group prior to proposing to the Bank’s Board of Directors for approval.
- Approved the action plans of the Office of Compliance for year 2016.
- Acknowledged and monitored the implementation progress of the corrective actions and suggestions required by the Bank of Thailand’s examiners and regulations of governing authorities, such as the Bank of Thailand, the SEC and the Bank’s Legal and Regulatory Monitoring Department.
- Attended the meeting with executives and made suggestions on the Bank’s operation improvement in accordance with the corrective actions and suggestions required by regulatory authorities.
- Acknowledged the compliance reports of the Bank and companies in the Group proposed by the Compliance units of the Bank and companies in the Group. The Committee also expressed its views and made suggestions on the improvement of the Bank’s and the Group’s compliance status to duly be in line with the prescribed regulations of governing authorities.
- Considered and expressed opinions on the compliance reports for year 2015 prior to submission to relevant governing authorities.
- Assessed the performance of the Committee to review the annual performance.

In 2016, the Bank was bestowed the following awards which reflected the Bank’s management based on business conduct in accordance with good corporate governance:

- The award of “Excellence” from the quality assessment of its Annual General Meeting of Shareholders in 2016, presented by the Thai Investors Association, the SEC and Thai Listed Company Association, for ten consecutive years (2007-2016)
- “Excellent” CG Scoring from the Corporate Governance Report of Thai Listed Companies in 2016 and received five Logos : Excellent CG scores from the Thai Institute of Directors (IOD)
- One of 55 listed companies selected by the SET to receive Thailand Sustainability Investment 2016 for two consecutive years (2015-2016) due to outstanding performance on Environmental, Social and Governance (ESG) aspects

- One of 100 listed companies selected by THAIPAT's ESG Rating Unit to be on the list of ESG100 in the year 2006 for two consecutive years (2015-2016) due to outstanding sustainability performance of ESG aspects.

The Bank believes in ethical business conduct 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 best practice under good corporate governance principles.



Mr. Chet Pattrakornkul  
Chairman of the Compliance and Governance Committee



## Report of the Risk Management Committee

The Risk Management Committee of Kiatnakin Phatra Financial Group consists of nine members, namely Mr.Supol Wattanavekin (Chairman), Mr.Banyong Pongpanich, Dr.Anya Khanthavit, Mr.Aphinant Klewpatinond, Mr.Chavalit Chindavanig, Mr.Krittitiya Veeraburus, Mrs.Patraporn Milindasuta, Mr.Pansalit Trakarnkitvichit, and Mr.Norachet Sangruji.

In 2016, the Risk Management Committee held fourteen meetings and performed its duties in accordance to the responsibilities assigned by the Board of Directors which can be summarized as follows:

1. Developed strategies that were consistent with the Bank's Risk Management Policy. The strategies should enable the Committee to assess, monitor and control risks to be at acceptable levels.
2. Reviewed and updated overall policies on risk management for the Bank and the Group and proposed to the Board of Directors for consideration and approval, such as Credit Risk Management Policy, Liquidity Risk Management Policy, Market Risk Management Policy, Operational Risk Management Policy, Reputational Risk Management Policy, Loan Approval Policy, Investment and Trading Policy, and Product Program Retail Loan Policy.
3. Reviewed and improved the risk management system, as well as approved the criteria and regulations of the Bank and companies in the Group, such as criteria relating to lending, commitments and any transactions with loan-like characteristics, criteria on asset classification including criteria for stress-testing (in accordance with ICAAP and Supervisory Scenario) in order to assess capital adequacy for year 2016, single lending limit plan, and risk mitigation plan.
4. Approved the well-suited member changes and acknowledged the performance of sub-committees under supervision.
5. Acknowledged the Bank and the Group's overall risk, credit risk analysis and management report, operational risk and loss report, and issues from the Risk Management Committees of the subsidiaries in the capital market business.
6. Reported credit risk management policies and loan approval criteria to the Executive Committee and Board of Directors.

Mr.Supol Wattanavekin  
Chairman of the Risk Management Committee

## Report of the Executive Committee

The Executive Committee of Kiatnakin Bank Public Company Limited consists of Mr.Banyong Pongpanich as chairman, associated with Mr.Aphinant Klewpatinond, Mr.Krittiya Veeraburus, Ms.Thitinan Wattanavekin, Mr.Pracha Chumnarnkitkosol, Mrs.Patraporn Milindasuta, Dr.Anuchit Anuchitanukul and Mrs.Patchanee Limapichat as members. Mr.Supol Wattanavekin is an advisor of the Executive Committee.

In the year 2016, the Executive Committee had fourteen meetings and performed its duties in accordance with the duties and authorities assigned by the Bank's Board of Directors, in summary:

1. Set the Group's direction and strategic goal and reviewed its vision, mission and corporate value prior to proposing to the Board of Directors for approval.
2. Revised the Group's business plan and budget at mid-year 2016 and considered the Group's business plan and annual budget for the years 2017 – 2019 prior to proposing to the Board of Directors for approval.
3. Considered the improvement of the Group's Consolidated Supervision Guidelines for the year 2016 and proposed to the Board of Directors for approval.
4. Considered the Internal Capital Adequacy Assessment Process (ICAAP Report) and reviewed the risk appetite for the year 2016 prior to proposing to the Board of Directors for approval.
5. Reviewed, revised and approved the Bank's and the Group's policies, guidelines and working rules, for instance, IT Policy, Anti-money Laundering and Combating the Financing of Terrorism (AML/CFT) Policy, Bancassurance Business Policy, Delegation of Authority Policy for Commercial Lending and Counterparty Risk Limit Setting, Delegation of Authority Policy for Retail Lending – Product Program, Client Suitability Policy for Derivatives, Guidelines for Client Suitability of Derivative Transactions, Guidelines for Liquidity Management, Guidelines for Connected Transaction and Strategic Shareholder Report, Guidelines for SME Unsecured Debt Write-off, Master Product Program for Derivatives, Investigation and Disciplinary Procedures, Know Your Client (KYC) and Customer Due Diligence (CDD) Procedures, Procedures for Anti-money Laundering Report, etc.
6. Approved the unreviewed and unaudited financial statements prior to the SET and public disclosure and approved debt write-off in accordance with the authority of the Executive Committee.
7. Considered the allocation of profit and dividend payment for the year 2015 prior to proposing to the Board of Directors and shareholders for consideration and approval and considered the allocation of profit and interim dividend payment from the operation during January 1 – June 30, 2016 prior to proposing to the Board of Directors for approval.
8. Monitored the business operation of the Bank and the companies in the Group and acknowledged the risk appetite report and reserve report for possible impaired loans, current loans and inactive NPLs exceeding seven years.
9. Acknowledged the loan usage of large-sized clients of the Real Estate Lending Department and the improvement of Commercial Lending's NPL for the year 2015, and advised and approved its NPL improvement plan for the year 2016 prior to proposing to the Bank of Thailand for consideration.
10. Revised the Bank's organization structure in order to support the business operation in accordance with the corporate direction, business plan and strategy approved by the Board of Directors.
11. Appointed the Underwriting Committee, approved the change of the bylaws and directors of the committees under the Executive Committee's supervision and acknowledged their performance.



12. Approved the issuance and offering of debentures and relevant matters in accordance with the resolution of the 2016 Annual General Meeting of Shareholders on debentures and as assigned by the Bank's Board of Directors, as well as approved the issuance and offering of subordinated debentures.
13. Approved the increase in interest bearing debt of PTSEC and reviewed the credit line for CMIC Development Company Limited and companies in the capital market business.
14. Reviewed, revised and approved the credit line for the Bank's counterparties in accordance with the authority of the Executive Committee and acknowledged the credit line of the Bank's counterparties as approved by the Main Credit and Foreclosed Property Committee.
15. Approved the selling of shares, held by PHATRA, in KKTRADE, and setting up Phatra Asset Management (Cayman) Limited as an additional company in the Group prior to proposing to the Board of Directors for approval.
16. Approved major IT projects, for instance New Data Center Project and New Core Banking System Project and proposed to the Board of Directors for approval.
17. Prepared the Executive Committee's Report for the year 2016, which would be disclosed in the Bank's Form 56-1 and annual report.
18. Acknowledged other significant reports, for instance risk assessment on AML/ CFT, progress on the sale of non-performing assets, 2016 employee engagement survey, etc.

Mr. Banyong Pongpanich  
Chairman of the Executive Committee

## Management Discussion and Analysis

Management Discussion and Analysis (MD&A) for the year ended December 31, 2016, comparing operating performance and financial position with those of the year ended December 31, 2015, is as follows:

### Overall Economy and Financial and Capital Market Environment

The Thai economy is grew 3.2% in 2016, up from 2.8% in 2015, with contributions from the following key factors: (1) continuous growth in the tourism sector with the number of tourist arrivals continuing to expand at 8.9%, together with various year-end tourism stimulus measures such as exemption of visa fees and tax privileges for domestic travel aimed at lessening the impact from the recent measures to curb illegitimate tour operators; (2) an increase in public spending together with various economic stimulus initiatives, e.g. year-end tax privilege for Baht 15,000 in domestic consumption, and payments to low-income non-agricultural related individuals; (3) a gradual recovery in the agricultural sector, especially during the second half of 2016 after the impact from the drought tapered off and with a continued increase in agricultural prices for petroleum-related products; and (4) signs of recovery in the export sector partly from the increase in oil prices and the brightening prospects for the electronics market segment in the latter half of 2016.

Nevertheless, the structural problems of the Thai economy still limit economic growth as can be seen from the following factors: (1) utilization capacity which still remains at a low level, limiting investment growth in the private sector; and (2) the continuous decline in the employment rate together with the on-going high level of household debt, both of which impede the recovery of private consumption. Furthermore, negative factors from fluctuation in the financial and capital markets obstruct the Thai economy.

For the Thai financial market in 2016, the Financial Institutions Policy Committee of the Bank of Thailand maintained the policy rate at 1.5%, the same level since April 2015, as a result of its concern on a higher yield-seeking behavior. Inflation currently below the

target level was projected to return to be within the target band of 1.00% - 4.00% within 1Q 2017.

The auto industry for the year 2016 still exhibited a continued contraction for four consecutive years, with the number of new car sales for 2016 totaling 768,788 units, down 3.9% YoY. Sales of passenger cars declined 6.5% YoY while the commercial vehicle segment registered a smaller contraction of 2.3%. This was partly due to the increase in demand for one-ton pick-up trucks and pick-up passenger vehicles (PPV) contributed by the improvement in the agricultural sector in the second half of 2016.

In the capital market, the average daily turnover (SET and mai) for 2016 increased from Baht 44,302 million in 2015 to Baht 52,526 million, an increase of 18.6%. The SET index at the end of 2016 closed at 1,542.94 points, improving by 19.8% from 1,288.02 points at the end of 2015.

### Overall Business Operations for 2016

The Bank's loan portfolio for the year 2016 slightly contracted by 0.8% from the end of 2015, compared to contractions of 3.6% in 2015 and 3.1% in 2014. Key contributions to 2016 loan growth are from the following: Lombard loans which increased by 208.2%; personnel loans which increased by 105.0%; micro SMEs loans including SME Car3x loans which expanded at 90.7%; and housing loans which expanded by 289.5%. Meanwhile, auto hire purchase loans, commercial loans and corporate banking loans contracted by 2.7%, 10.6% and 21.6% respectively.

For asset quality, the NPL to total loan ratio at the end of 2016 decreased to 5.6% from 5.8% at the end of 2015. NPLs from loans to the real estate development segment improved slightly during the year, while NPLs for auto hire purchase loans continued to show improvement with the NPL ratio for hire purchase loans still in a decline from 2.4% at the end of 2015 to 1.9% at the end of 2016.

During 2016, the Bank issued total debentures amounting to Baht 91,173 million, of which Baht 3,000 million were subordinated debentures classified as



Tier 2 capital. On special asset management business, the Bank sold non-performing assets (NPAs) totaling Baht 2,633 million and had a gain of Baht 1,189 million.

For 2016 the Bank outlined the following three key business areas of focus: (1) Credit House – building efficiencies and creating standards, loan expansions and effective credit monitoring and control; (2) Private Banking – business expansions and capitalizing on the Group's expertise in the business to expand and increase fee income and assets under advisory; and (3) Investment Banking – maintaining the status as the leader and increasing synergies between the commercial banking and capital market businesses.

In addition to the above three business areas of focus, the Bank plans to capitalize on collaborations within the Group to expand the products and services offerings while enhancing business processes with an aim to offer seamless services between the commercial banking and capital market businesses. Also, the Bank will continue to focus on developing new products and services while expanding to a new client base through new alternative channels, for example, through direct sale agents, to extend the Bank's reach to retail clients.

Key developments during 2016 were as follows: PHATRA, a subsidiary, sold all shares held in KKTRADE to Yuanta Securities Asia Financial Services Limited on July 8, 2016 as stated in the Bank's letter to the SET.

Additionally, in order to expand the Group's financial and investment services and products in relation to the wealth management service, the Bank has established Phatra Asset Management (Cayman) Limited to support the Group's operation in asset management business overseas.

On products and services, the Bank introduced "KK SME Car3x" loan, aimed at small and medium-sized enterprises, using cars as collateral with a maximum credit line of three times of the collateral value.

For deposit and investment products, the Bank launched "Phatra Edge", an investment and financial planning service to clients with deposits and investment accounts totaling between Baht 2-30 million. The Bank also launched "KK e-Banking" to provide the Bank's clients with added convenience through the use of secured online financial management and services. KK e-Banking services are available through both website and mobile application formats.

In terms of distribution channels, the Bank's direct sales agent force, which was recently set up in order to expand the Bank's client base to new groups for personal loans, housing loans and SME Car3x products, began full operation during 2016 and has been expanding the Bank's reach into the new client groups as planned.

Additionally, during 4Q 2016, the Bank opened one new branch at Central Plaza Ladprao in addition to the Bank's financial hubs at Central World shopping complex and at Thonglor road which were opened earlier in 2016. The financial hubs exhibit the Bank's new branch model concept with a focus on providing comprehensive financial and investment services to the Bank's clients. As of the end of 2016, the Bank has a total of 66 branches.

For the capital market business, the market share in securities brokerage business (SET and mai excluding proprietary trading) of PTSEC in the year 2016 was 4.81%, increased from 4.69% in 2015, ranking fourth from a total of 36 brokers.

#### **Summary of Performance of the Bank and subsidiaries**

Ratio (%)	4Q2015	2015	1Q2016	2Q2016	3Q2016	4Q2016	2016
Loan Growth	0.6	(3.6)	(1.2)	(0.4)	0.2	0.6	(0.8)
NPLs/ Total Loans (Excluding Interbank)	5.8	5.8	5.7	6.1	5.9	5.6	5.6
Total Loan Loss Reserve/ Total NPLs (Coverage Ratio)	91.9	91.9	97.2	95.7	105.4	110.1	110.1
Total Loan Loss Reserve/ Total Mandatory Reserve	160.1	160.1	166.7	169.8	181.6	187.8	187.8

### Profit and Loss Transaction

For the year ended December 31, (Baht'000)	Consolidated		Change	
	2016	2015	Amount	%
Interest Income	14,869,138	14,776,371	92,767	0.6
Interest Expenses	4,436,088	5,327,821	(891,733)	(16.7)
Interest Income, Net	10,433,050	9,448,550	984,500	10.4
Fees and Services Income	4,174,296	3,933,960	240,336	6.1
Fees and Services Expenses	467,747	462,599	5,148	1.1
Fees and Services Income, Net	3,706,549	3,471,361	235,188	6.8
Gain on Trading and Foreign Exchange Transactions, Net	577,240	877,447	(300,207)	(34.2)
Gain (Loss) on Investments, Net	203,326	335,750	(132,424)	(39.4)
Dividend Income and Profit Sharing	442,456	321,246	121,210	37.7
Other Operating Incomes	792,921	602,610	190,311	31.6
Total Operating Income	16,155,542	15,056,964	1,098,578	7.3
Employee's Expenses	4,767,079	4,287,291	479,788	11.2
Directors' Remuneration	31,982	23,245	8,737	37.6
Premises and Equipment Expenses	968,748	974,765	(6,017)	(0.6)
Taxes and Duties	334,831	307,881	26,950	8.8
Loss from Revaluation of Foreclosed Assets	25,898	423,932	(398,034)	(93.9)
Loss (Gain) from Sale of Foreclosed Assets	(545,112)	380,722	(925,834)	(243.2)
Other Expenses	1,768,984	1,424,030	344,954	24.2
Total Other Operating Expenses	7,352,410	7,821,866	(469,456)	(6.0)
Impairment Loss on Loans and Debt Securities	2,313,121	3,207,974	(894,853)	(27.9)
Profit from Operating before Income Tax Expenses	6,490,011	4,027,124	2,462,887	61.2
Income Tax Expenses	878,896	601,573	277,323	46.1
<b>Net Profit</b>	<b>5,611,115</b>	<b>3,425,551</b>	<b>2,185,564</b>	<b>63.8</b>
<b>Net Profit Attributable to:</b>				
Equity Holders of the Bank	5,546,725	3,317,102	2,229,623	67.2
Non-controlling Interests	64,390	108,449	(44,059)	(40.6)
<b>Total Comprehensive Income Attributable to:</b>				
Equity Holders of the Bank	5,756,452	3,118,956	2,637,496	84.6
Non-controlling Interests	54,789	109,351	(54,562)	(49.9)
<b>Earnings per Share of Equity Holders of the Bank</b>				
Basic Earnings per Share (Baht)	6.55	3.92	2.63	67.1
Diluted Earnings per Share (Baht)	6.55	3.92	2.63	67.1





### **Operating Results for 2016 comparing with 2015**

The consolidated net profit (excluding non-controlling interests) for 2016 totaled Baht 5,547 million, an increase of 67.2% YoY, of which Baht 1,086 million was the net profit from the capital market business operated by PHATRA and subsidiaries, i.e. PTSEC and PASSET. Meanwhile, the consolidated comprehensive income for 2016 totaled Baht 5,756 million, increased by 84.6% YoY. The capital market business' comprehensive income was Baht 1,075 million. The comprehensive income included revaluation of available-for-sale securities as a result of the capital market volatility.

Interest Income was Baht 14,869 million, increased by Baht 93 million or 0.6% YoY mainly from the increase in interest income on investment in loans by 84.3% YoY from loan restructuring progress. Meanwhile, interest income on loans declined by 4.3% YoY mainly as a result of the contraction in commercial loans portfolio for the real estate development segment during the year. Interest income from securities also declined by 30.3% YoY.

For the Year Ended	Consolidated		Change	
	December 31, 2016	December 31, 2015	Baht Million	%
<b>Interest Income</b>	14,869	14,776	93	0.6
Interest on Loans	4,419	4,619	(200)	(4.3)
Interest on Interbank and Money Market Items	135	135	(0)	(0.1)
Hire Purchase and Financial Lease Income	8,928	8,910	18	0.2
Interest on Securities	403	579	(175)	(30.3)
Interest on Investment in Loans	985	534	450	84.3

Interest Expenses totaled Baht 4,436 million, decreasing by Baht 892 million or 16.7% YoY. Cost of fund at the end of 2016 decreased to 2.5% from 3.0% at the end of 2015. The decline continues to be from the result of several factors. These are the reduction in deposit rates in line with the market conditions, the Bank's continuous efforts on optimizing its funding structures, and also by the overall slowdown in deposit volume as a result of loan contractions during the previous periods.

For the Year Ended	Consolidated		Change	
	December 31, 2016	December 31, 2015	Baht Million	%
<b>Interest Expense</b>	4,436	5,328	(892)	(16.7)
Interest on Deposits	2,111	3,062	(950)	(31.0)
Interest on Interbank and Money Market Items	89	94	(5)	(5.6)
Interest on Debt Issued and Borrowings	1,462	1,328	133	10.0
Fees and Charges on Borrowings	3	3	0	13.9
FIDF and DPA Fees	726	779	(53)	(6.8)
Others	45	62	(17)	(27.3)

Net Interest Income amounted to Baht 10,433 million, up from Baht 9,449 million in 2015, an increase of 10.4% YoY. Loan spread improved to 4.9% from 4.5% in 2015. Cost of fund dropped YoY from 3.0% to 2.5% in 2016. Meanwhile, yield on loan for 2016 remained stable at 7.5%.

Ratio (%)	4Q2015	2015	1Q2016	2Q2016	3Q2016	4Q2016	2016
Yield on Loan	7.8	7.5	7.5	7.3	7.5	7.9	7.5
Cost of Fund	2.7	3.0	2.7	2.7	2.5	2.4	2.5
Loan Spread	5.1	4.5	4.8	4.6	5.0	5.5	4.9

Net Fees and Services Income totaled Baht 3,707 million, increasing by 6.8% from 2015. For the capital market business, brokerage income totaled Baht 1,691 million, an increase of 3.1% as a result of the increase in securities trading value during 2016. Brokerage income for 2016 included income generated from KKTRADE only up to the end of July 8, 2016. Fee from asset management business increased to Baht 331 million or 29.5% in 2016. Meanwhile, financial advisory and underwriting fees totaled Baht 171 million, declining by 28.3% YoY. Bancassurance fee amounted to Baht 952 million, increasing by 6.9% from 2015.

Total Operating Income amounted to Baht 16,156 million, increased by 7.3% YoY mainly from the increase in net interest income of 10.4% together with the increase in net fees and services income by 6.8% as stated above. Meanwhile, the Bank recorded gain on trading and foreign exchange transactions mainly contributed from the capital market business in the amount of Baht 577 million, decreasing 34.2% YoY. The Bank also recorded gain on investments totaling Baht 203 million, a decrease of 39.4% YoY.

Other Operating Expenses were Baht 7,352 million, decreased by 6.0% YoY. Other operating expenses also included loss from sale of foreclosed assets, which in 2016 had a gain totaling Baht 545 million, compare to a loss of Baht 381 million during 2015. The gain on sale of foreclosed assets of Baht 545 million is comprised of loss from sale of repossessed cars totaling Baht 644 million, declining 47.4% YoY or reducing from loss of Baht 1,225 million in 2015 mainly from lower loss per asset cost, and gain on sale of foreclosed properties totaling Baht 1,189 million, an increase of 40.9% compared to gain of Baht 844 million in 2015.

When excluding loss from sale of foreclosed assets and loss from revaluation of foreclosed assets, operating expenses for the year totaled Baht 7,872 million, increasing 12.2% YoY, compared to Baht 7,017 million for 2015. The increases were mainly from personnel and marketing expenses. Cost-to-income ratio excluding loss from sale of foreclosed assets and loss from revaluations stood at 45.4% for 2016, compared with 44.1% in 2015.

Bad Debts and Doubtful Accounts and Loss on Debt Restructuring totaled Baht 2,313 million, declining from Baht 3,208 million in 2015. During 2016, the Bank set up general reserve totaling Baht 1,650 million to provide a buffer against economic uncertainties.

Allowance for doubtful accounts and allowance for troubled debt restructuring amounted to Baht 10,966 million with outstanding Baht 4,500 million in general reserves. The total loan loss reserve to total mandatory reserve ratio increased to 187.8%, compared to 160.1% at the end of 2015. Meanwhile, the total loan loss reserve to total NPL ratio (coverage ratio) was at 110.1%, increasing from 91.9% at the end of 2015.



Corporate income tax totaled Baht 879 million, which equates to a 13.5% tax rate. Basic earnings and diluted earnings were Baht 6.55 per share.

Annualized Ratio	4Q2015	2015	1Q2016	2Q2016	3Q2016	4Q2016	2016
<b>Net Profit (Baht Million)</b>	<b>980</b>	<b>3,317</b>	<b>1,107</b>	<b>1,297</b>	<b>1,691</b>	<b>1,452</b>	<b>5,547</b>
ROAE (%)	10.5	8.9	11.5	13.2	17.3	14.6	14.2
ROE (%)	10.6	9.0	11.7	13.2	17.3	14.9	14.6
ROAA (%)	1.7	1.4	1.9	2.2	2.9	2.5	2.4
<b>Comprehensive Income (Baht Million)</b>	<b>1,024</b>	<b>3,119</b>	<b>1,356</b>	<b>1,485</b>	<b>1,661</b>	<b>1,255</b>	<b>5,756</b>
ROAE (%)	10.9	8.4	14.0	15.2	17.0	12.6	14.7
ROE (%)	11.1	8.5	14.3	15.1	17.0	12.9	15.2
ROAA (%)	1.7	1.3	2.3	2.6	2.8	2.1	2.4

#### **Statements of Financial Position**

Total Assets, as of December 31, 2016, were Baht 233,776 million, decreasing by Baht 2,368 million or 1.0% from the end of 2015. The total loans net deferred revenue amounted to Baht 176,354 million, compared with Baht 177,966 million at the end of 2015.

Assets (Baht'000)	Consolidated		Change	
	December 31, 2016	December 31, 2015	Amount	%
Cash	1,167,425	1,032,052	135,373	13.1
Interbank and Money Market Items, Net	11,484,482	9,801,161	1,683,321	17.2
Derivatives Assets	1,353,345	1,756,965	(403,620)	(23.0)
Investments in Securities, Net	28,365,336	20,290,440	8,074,896	39.8
Investments in Receivables, Net	2,553,786	2,898,694	(344,908)	(11.9)
Investments in Properties, Net	851,094	843,476	7,618	0.9
Loans to Clients and Accrued Interest Receivables, Net				
Loans to Clients	196,487,830	196,329,407	158,423	0.1
Securities Business Receivables	0	284,815	(284,815)	(100.0)
Accrued Interest Receivables	922,666	936,587	(13,921)	(1.5)
Total Loans to Clients and Accrued Interest Receivables	197,410,496	197,550,809	(140,313)	(0.1)
Less Deferred Revenue	(20,133,733)	(18,648,635)	(1,485,098)	8.0
Less Allowance for Doubtful Accounts	(10,964,711)	(9,539,335)	(1,425,376)	14.9
Less Allowance for Troubled Debt Restructuring	(1,135)	(6,413)	5,278	(82.3)
Total Loans to Clients and Accrued Interest Receivables, Net	166,310,917	169,356,426	(3,045,509)	(1.8)
Properties Foreclosed, Net	3,728,384	4,598,378	(869,994)	(18.9)
Land, Premises and Equipment, Net	2,091,799	1,892,262	199,537	10.5
Other Intangible Assets, Net	733,724	684,964	48,760	7.1
Goodwill	3,066,035	3,066,035	0	0.0
Deferred Tax Assets	1,680,935	1,444,770	236,165	16.3
Accounts Receivable from Clearing House	629,469	1,030,855	(401,386)	(38.9)
Securities and Derivative Business Receivables	7,602,021	14,463,306	(6,861,285)	(47.4)
Other Assets, Net	2,157,627	2,984,456	(826,829)	(27.7)
<b>Total Assets</b>	<b>233,776,379</b>	<b>236,144,240</b>	<b>(2,367,861)</b>	<b>(1.0)</b>

Total Liabilities amounted to Baht 193,259 million, decreasing 2.4% from the end of 2015. Deposits were Baht 109,923 million, increasing by 5.4%. Deposits were comprised of 46.3% of term deposits and 53.7% of current and saving accounts (CASA), compared with CASA of 50.7 % at the end of 2015.

Meanwhile, debts and borrowings were Baht 56,055 million, decreasing by 8.2% from the end of 2015. During 2016, the Bank issued debentures totaling Baht 91,173 million of which Baht 3,000 million were subordinated debentures classified as Tier 2 capital.

The loan to deposits and borrowings ratio stood at 106.3%, compared to 107.6% at the end of 2015.



Liabilities (Baht'000)	Consolidated		Change	
	December 31, 2016	December 31, 2015	Amount	%
Deposits	109,922,919	104,326,899	5,596,020	5.4
Current Account	397,636	349,549	48,087	13.8
Saving Account	58,626,581	52,524,864	6,101,717	11.6
Term Deposit	50,094,639	50,802,178	(707,538)	(1.4)
Certificate of Deposit	804,063	650,308	153,754	23.6
Interbank and Money Market Items, Net	8,359,651	9,209,441	(849,790)	(9.2)
Liabilities Payable on Demand	225,390	388,583	(163,193)	(42.0)
Derivatives Liabilities	2,499,389	2,583,953	(84,564)	(3.3)
Debt issued and Borrowings	56,054,619	61,084,916	(5,030,297)	(8.2)
Senior Securities	49,964,619	57,827,838	(7,863,219)	(13.6)
Subordinated Bond	6,000,000	3,000,000	3,000,000	100.0
Bills of Exchange	90,000	257,078	(167,078)	(65.0)
Provisions	567,823	441,873	125,950	28.5
Deferred Tax Liabilities	54,614	108,789	(54,175)	(49.8)
Accounts Payable to Clearing House	2,885,681	1,097,742	1,787,939	162.9
Securities and Derivative Business Payables	4,382,762	9,816,958	(5,434,196)	(55.4)
Accrued Interest Expenses	476,549	721,953	(245,404)	(34.0)
Other Accounts Payable	1,876,181	1,861,756	14,425	0.8
Legal Execution Department Payable	575,380	575,380	0	0.0
Income Tax Payable and Specific Business Tax Payable	605,053	695,815	(90,762)	(13.0)
Other Liabilities	4,773,014	5,074,226	(301,212)	(5.9)
<b>Total Liabilities</b>	<b>193,259,025</b>	<b>197,988,284</b>	<b>(4,729,259)</b>	<b>(2.4)</b>

Shareholders' Equity was Baht 40,517 million, up 6.2% from the end of 2015. Total issued and paid-up capital totaled Baht 8,468 million. Share premium totaled Baht 9,356 million. Unappropriated retained earnings were at Baht 20,505 million.

Dividend Payment The Bank paid the remaining dividend for 2015 operations at the rate of Baht 2.00 per share on May 24, 2016 and paid the interim dividend for the January 1 – June 30, 2016 operations at the rate of Baht 2.00 per share on September 23, 2016.

Capital Adequacy Ratio (BIS ratio), as of December 31, 2016 under Basel III which included profit for the year 2015, was at 18.53% while Tier-1 ratio was at 15.01%. When including the profit for 2016, the BIS ratio will increase to 20.40% while Tier-1 ratio will be at 16.87%.

### Business Segment Performance

The Group's structure divides business into two groups which are (1) commercial banking business and (2) capital market business.

#### Commercial Banking Business

The commercial banking business includes retail lending, commercial lending, corporate lending, special asset management or distressed asset management loan and other loans. The breakdown of total loan portfolio is as follows:

Type of Loans	December 31, 2016		December 31, 2015		Change
	Baht Million	%	Baht Million	%	%
<b>Retail Lending</b>	<b>123,716</b>	<b>70.1</b>	<b>120,696</b>	<b>67.8</b>	<b>2.5</b>
Auto Hire Purchase	113,049	64.1	116,246	65.3	(2.7)
Personal Loan	4,240	2.4	2,068	1.2	105.0
Micro SMEs Loan	2,735	1.6	1,434	0.8	90.7
Housing Loan	3,691	2.1	948	0.5	289.5
<b>Commercial Lending</b>	<b>41,337</b>	<b>23.4</b>	<b>46,263</b>	<b>26.0</b>	<b>(10.6)</b>
Real Estate Development	19,279	10.9	24,719	13.9	(22.0)
SMEs Loan	22,058	12.5	21,544	12.1	2.4
<b>Corporate Lending</b>	<b>6,882</b>	<b>3.9</b>	<b>8,774</b>	<b>4.9</b>	<b>(21.6)</b>
<b>Special Asset Management Loan</b>	<b>665</b>	<b>0.4</b>	<b>694</b>	<b>0.4</b>	<b>(4.2)</b>
<b>Lombard Loan</b>	<b>3,867</b>	<b>2.2</b>	<b>1,255</b>	<b>0.7</b>	<b>208.2</b>
<b>Other Loans</b>	<b>0</b>	<b>0.0</b>	<b>285</b>	<b>0.2</b>	<b>(100.0)</b>
<b>Total Loans and Account Receivables</b>	<b>176,466</b>	<b>100.0</b>	<b>177,966</b>	<b>100.0</b>	<b>(0.8)</b>

- Retail Lending

The retail lending totaled Baht 123,716 million, increasing by 2.5% from the end of 2015. The retail loans include auto hire purchase loans, personal loans, Micro SME loans, including SME Car3x loans, and housing loans.

Auto Hire Purchase Loans amounted to Baht 113,049 million, declining by 2.7% YoY. New auto hire purchase business volume booked during 2016 totaled Baht 41,771 million, increasing 11.3% YoY. The portion of new cars to used cars was at 48:52.

Domestic new car sales for 2016 totaled 768,788 units, declining by 3.9% YoY. The penetration rate of the Bank's new car lending to the domestic car sales for 2016 was at 3.8%, declining from 4.2% in 2015.

For 2016, other retail loans expanded at a high rate as a result of the Bank's effort to expand into a new client base by setting up a direct sales team. The personal loans amounted to Baht 4,240 million, an increase of 105.0% YoY; micro SMEs loans including SME Car3x loans totaled Baht 2,735 million, expanding by 90.7%; and housing loans totaled Baht 3,691 million, an increase of 289.5% YoY.



- Commercial Lending

The commercial lending business amounted to Baht 41,337 million, contracting 10.6% YoY. The commercial lending includes real estate development loans and SMEs loans of which details are as follows:

Real Estate Development Loans were Baht 19,279 million, contracting by 22.0% from the end of 2015. The contraction in 2016 was partly due to the government stimulus measure on the reduction of fees related to real estate transactions which ended in April 2016, resulting in an increase in repayments.

SMEs Loans were Baht 22,058 million, expanding by 2.4% from the end of 2015. The SME loans are comprised of several business sectors including apartment & hotel, floor plan, logistics, specialized industrial, and construction machinery & materials.

- Corporate Lending

The corporate lending provides lending services to listed companies, large corporations or financing for investment banking transactions of the capital market business. Current outstanding loans totaled Baht 6,882 million, a contraction of 21.6% YoY as a result of high repayments.

- Special Asset Management

The special asset management Group is responsible for distressed asset management business and sale of foreclosed assets. The current outstanding financial claim loans totaled Baht 665 million.

- Lombard Loan

The Lombard loan is a multi-purpose credit facility for wealth management clients using financial assets as collateral. The current outstanding loans totaled Baht 3,867 million, an increase of 208.2% YoY.

The table below shows NPL distribution by loan type.

Type of Loans	December 31, 2016			December 31, 2015		
	Baht Million	%	% of Loans	Baht Million	%	% of Loans
<b>Retail Lending</b>	<b>2,602</b>	<b>26.1</b>	<b>2.1</b>	<b>3,438</b>	<b>33.0</b>	<b>2.8</b>
Auto Hire Purchase	2,133	21.4	1.9	2,847	27.4	2.4
Personal Loan	98	1.0	2.3	131	1.3	6.3
Micro SMEs Loan	296	3.0	10.8	372	3.6	26.0
Housing Loan	75	0.8	2.0	88	0.8	9.3
<b>Commercial Lending</b>	<b>6,721</b>	<b>67.4</b>	<b>16.3</b>	<b>6,269</b>	<b>60.2</b>	<b>13.5</b>
Real Estate Development	5,248	52.6	27.2	4,862	46.7	19.7
SMEs Loan	1,473	14.8	6.7	1,406	13.5	6.5
<b>Corporate Lending</b>	<b>0</b>	<b>0.0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>	<b>0.0</b>
<b>Special Asset Management Loan</b>	<b>645</b>	<b>6.5</b>	<b>97.0</b>	<b>694</b>	<b>6.7</b>	<b>100.0</b>
<b>Lombard Loan</b>	<b>0</b>	<b>0.0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>	<b>0.0</b>
<b>Other Loans</b>	<b>0</b>	<b>0.0</b>	<b>0.0</b>	<b>7</b>	<b>0.1</b>	<b>2.5</b>
<b>Total</b>	<b>9,968</b>	<b>100.0</b>	<b>5.6</b>	<b>10,408</b>	<b>100.0</b>	<b>5.8</b>

The consolidated NPLs amounted to Baht 9,968 million or 5.6% of the total loans, decreasing from 5.8% at the end of 2015. NPLs of the auto hire purchase loans still continue to decrease with the NPL ratio declining continuously from 2.4% at the end of 2015 to 2.2% in 1Q 2016, declining to 2.1% in 2Q 2016 with a further decline to 2.0% in 3Q 2016 with the ratio at 1.9% as of the end of 2016 following strict internal measures and continuous internal process improvements.

The NPLs for real estate development loans also improved during the year with NPL amount declining since 2Q 2016. However, the ratio increased to 27.2% as of the end of 2016 due to the high level of contraction in real estate development loans, which for the year 2016 contracted 22.0% YoY. Meanwhile, the NPLs for SMEs loan were at 6.7%, slightly increased from 6.5% at the end of 2015.

#### Capital Market Business

The capital market business comprises brokerage business, investment banking business, investment business and asset management business. Details are as follows:

- **Brokerage Business**

PTSEC operates agency business providing both securities and derivatives brokerage services to local and foreign institutional investors, as well as high net worth individuals under Private Wealth Management. For high net worth clients, other wealth management products are provided such as mutual funds and structured products. For 2016, the market share<sup>1</sup> of PTSEC was 4.81%, ranking fourth from the total of 36 brokers. PTSEC generated brokerage revenue totaling Baht 1,610 million, comprising equity brokerage revenue of Baht 1,189 million, derivatives brokerage revenue of Baht 147 million, and other brokerage income of Baht 274 million.

- **Investment Banking Business**

The investment banking business, operated by PTSEC, provides financial advisory service as well as underwriting service. In 2016 the revenue was Baht 174 million, contributed by financial advisory fees amounting to Baht 102 million and underwriting fees amounting to Baht 72 million.

- **Investment Business**

The investment business of the Group is managed by three departments in which PHATRA operates direct investment business, by the Direct Investment Department (DI), with a medium to long-term investment horizon, while PTSEC manages short-term investment, by the Investment and Trading Group, comprising Equity and Derivatives Trading Department (EDT) and Hedge Fund Department (HF). EDT focuses on equity and equity-linked securities in the capital market and derivatives market, with short-term investments of not more than one year by applying arbitrage investment strategy as well as issuing and offering financial structured products. HF focuses on equity and derivatives trading with an investment horizon of less than one year, applying a market-neutral strategy and advanced statistical modeling.

In 2016 DI, focusing on long-term investment with a value-based investment philosophy, recorded gain on investment including loss on re-measuring available-for-sale securities totaling Baht 326 million. HF, which operates on a 3-6 month investment horizon and is susceptible to temporary loss in the interim, posted a gain of Baht 182 million for the year.<sup>2</sup> Meanwhile, EDT had gain on investment totaling Baht 529 million.<sup>3</sup> Additionally, there were other investment incomes from treasury and liquidity management, resulting in overall investment income of Baht 1,149 million.

- **Asset Management Business**

PASSET, under mutual fund and private fund management licenses, offers fund management services to individuals and corporate clients. PASSET's mutual fund's assets under management (AUM) as of December 31, 2016 totaled Baht 42,999 million, with a total of 36 funds under management consisting of 33 mutual funds and three property funds. PASSET's market share in terms of mutual fund was 0.92%. In 2016, PASSET's fee income from mutual fund business totaled Baht 192 million.

As of December 31, 2016, AUM from private fund was Baht 9,751 million. PASSET's fee income from private fund business totaled Baht 143 million.

<sup>1</sup> Including SET and mai but excluding proprietary trading

<sup>2</sup> In addition to the investment revenue, HF also had foreign exchange loss and advisory fee revenue totaling Baht 29 million and hedging cost of Baht 40 million. In summary, total HF gain after cost of hedging was Baht 171 million.

<sup>3</sup> Income before deducting the cost of hedging, once deducting those costs, net gain was Baht 476 million.





## Credit Rating

As of March 15, 2016, TRIS Rating Company Limited has affirmed the latest company rating at “A-”, the senior unsecured debentures at “A-” and the hybrid tier 2 capital securities at “BBB” with “Stable” outlook. Details are as follows:

### Company Rating

### Issue Ratings

KK164A: Baht 600 million senior unsecured debentures due 2016
KK165A: Baht 3,500 million senior unsecured debentures due 2016
KK168A: Baht 1,500 million senior unsecured debentures due 2016
KK168B: Baht 1,000 million senior unsecured debentures due 2016
KK16DA: Baht 975 million senior unsecured debentures due 2016
KK172A: Baht 4,000 million senior unsecured debentures due 2017
KK174B: Baht 900 million senior unsecured debentures due 2017
KK17NA: Baht 1,500 million senior unsecured debentures due 2017
KK187A: Baht 240 million senior unsecured debentures due 2018
KK18DA: Baht 625 million senior unsecured debentures due 2018
KK18DB: Baht 10 million senior unsecured debentures due 2018
KK25DA: Baht 3,000 million hybrid tier 2 capital securities due 2025

### Outlook

**Remark:** \*CreditNews (annual credit review)

\*CreditUpdate (credit review for debentures issuance all year round)

October 28, 2014 **	March 31, 2015 *	November 26, 2015 **	March 15, 2016 *
A-	A-	A-	A-
A-	A-	A-	A-
A-	A-	A-	A-
A-	A-	A-	A-
A-	A-	A-	A-
A-	A-	A-	A-
A-	A-	A-	A-
-	-	A-	A-
A-	A-	A-	A-
A-	A-	A-	A-
A-	A-	A-	A-
-	-	BBB	BBB
Positive	Stable	Stable	Stable

# Independent Auditor's Report

**To the shareholders and the Board of Directors of Kiatnakin Bank Public Company Limited**

## **My opinion**

In my opinion, the consolidated financial statements of Kiatnakin Bank Public Company Limited (the Bank) and its subsidiaries (the Group) and the separate financial statements of the Bank present fairly, in all material respects, the consolidated financial statements of the Group and separate financial statements of the Bank as at 31 December 2016, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

## **What I have audited**

I have audited the accompanying consolidated financial statements of the Group and separate financial statements of the Bank, which comprise the consolidated and separate statements of financial position as at 31 December 2016, and the related consolidated and separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

## **Basis for opinion**

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of my report. I am independent of the Group and the Bank in accordance with the Federation of Accounting Professions under the Royal Patronage of his Majesty the King's Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to my audit of the consolidated and separate financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## **Key audit matters**

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of my audit of the consolidated and separate financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.



Key audit matter	How my audit addressed the key audit matter
<p><b><i>Allowance for doubtful accounts</i></b></p> <p>I focused on this area because management makes complex judgements over timing, and the amount to record as allowance for doubtful accounts and the size of loans to customers is significant. At 31 December 2016, the gross loans to customers balance was Baht 196,488 million and Baht 198,553 million in the consolidated and the separate financial statements respectively. The balance of allowance for doubtful accounts of loans to customers was Baht 10,965 million and Baht 10,976 million, which represents 5.58% and 5.53% of loans to customers respectively. Allowance account expense on loans was recognised in the consolidated and separate statements of profit or loss and other comprehensive income for the year then ended of Baht 3,292 million and Baht 3,288 million respectively. The basis of the allowances is summarised in the Accounting policies in Note 2.11. See Note 5.1 for the estimates and assumptions related to allowance for doubtful accounts and Note 12, 14 and 50 for the cross-referred figures.</p> <p>The Bank classifies its loan portfolios into categories and sets an 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 ending balance of loans basing on both qualitative and quantitative factors. The Bank uses the following methods to assess the amount of allowance for doubtful accounts of loans to customers.</p> <ul style="list-style-type: none"> <li>For hire-purchase receivables, the allowance for doubtful accounts of loans to customers is applied under a collective approach based on a modelled basis for portfolios of hire-purchase loans. Some inputs to this model are subject to management judgement, which are qualitative factors used for loan classification and external factors such as macro-economic conditions.</li> </ul>	<p>I evaluated and tested the design and operating effectiveness of the controls over the allowance for doubtful accounts data and calculations. These included testing:</p> <ul style="list-style-type: none"> <li>controls over calculation models for the allowance for doubtful accounts, including input data</li> <li>controls over estimations of collateral valuation</li> <li>controls over approval process of annual credit review</li> <li>controls over input data to calculate credit scoring and the monitoring process under a qualitative approach</li> <li>controls over the data transfer from source systems to the allowance for doubtful accounts models and model output to the general ledger</li> <li>IT controls for loan data, aging systems and collateral systems, and</li> <li>governance controls, including attending key meetings that form part of the approval process for allowance for loans, and assessing management's analysis and challenging the actions taken for special allowance cases or additional qualitative factors applied.</li> </ul> <p>I did not find any exceptions from those control tests.</p> <p>For individually assessed loans I selected samples of loans, and tested the estimation of the future expected cash flows from debtors, including from the realisation of collateral held. This involved assessing the work performed by both internal and external independent experts used by the Bank to value the collateral to check that the valuation is up to date. I assessed the current financial position and business plan of individual debtors and the key financial ratio used as the basis of measuring the allowance for doubtful accounts, to consider whether key judgments were appropriate.</p>

Key audit matter	How my audit addressed the key audit matter
<ul style="list-style-type: none"> <li>For larger, individually significant loans to customers, the allowance for doubtful accounts is assessed individually. The key assumptions and judgement made by management are the expected cash flows to be received from debtors or from the sale of collateral.</li> <li>For personal loans, the percentage of allowance for doubtful accounts of loans is set following the loan aging report. Management also applies qualitative factors such as the additional judgement of loan classification for personal loans.</li> <li>Apart from the minimum requirements of allowance for doubtful accounts following the Bank of Thailand's guidelines, the Bank also set an additional allowance for doubtful accounts as a part of the general reserve in order to be conservative. The general provision is considered from the industry risk and economic uncertainties.</li> </ul> <p>I focused my audit procedures on the allowance for doubtful accounts, specifically relating to:</p> <ul style="list-style-type: none"> <li>the key assumptions and judgements made by management related to loan classification, the percentage of allowance following the qualitative factors, collateral values, estimate expected cash inflows and discount rate applied</li> <li>the post model adjustments in response to identified internal factors such as historical loss and external factors such as economic factors under the collective approach, and</li> <li>the completeness of loan balances and accounts that are included in the allowance for doubtful accounts calculation.</li> </ul>	<p>I also challenged management to provide supporting evidence for the related key assumptions and impairment indicators, and I found no material exceptions in these tests.</p> <p>For the collective approach model used by the Bank, I tested if the underlying loan information used in the models was complete and accurate by agreeing details to the source systems as well as re-performing the calculation of the modelled provision. For the key assumptions in the model, I challenged management to provide objective evidence for updated macro-economic figures that were appropriate. I found no material exceptions in this test.</p> <p>For personal loans, I recalculated the accuracy of account receivables aging reports as well as the allowance rate used for personal loans. I found no material differences in this test.</p> <p>For general provision and additional allowance for doubtful accounts set up from management's judgement, I understood and evaluated the process for identifying the industry risk of debtors in the loan portfolio. I also used my industry experience and knowledge to consider the appropriateness of the provision. I found that this provision amount is aligned with the industry.</p>



Key audit matter	How my audit addressed the key audit matter
<p><b><i>Impairment testing of goodwill</i></b></p> <p>As at 31 December 2016, the Group had a goodwill of Baht 3,066 million which arose mainly from the merger between Kiatnakin Bank Public Company Limited and Phatra Capital Public Company Limited in the form of a share swap since 2012. Goodwill arose from the Capital Market segment, which was identified as the cash-generating unit (CGU). The recoverable amount of goodwill is determined by the Dividend Discount Model. Refer to the accounting policy related to goodwill in note 2.15, accounting estimates and assumptions in note 5.5 and related disclosures of goodwill in note 19.2.</p> <p>I focused on this area due to the significant value and the nature of the significant judgement and assumptions used in valuation model. An assessment is required annually to establish whether this goodwill is recognised with the proper amount, or if any impairment is required.</p> <p>The key assumptions that involve management judgement are:</p> <ul style="list-style-type: none"> <li>• Discount rate</li> <li>• Growth rate</li> <li>• Payout ratio</li> <li>• Expected future revenue and net profit generated from Capital Market Segment</li> </ul>	<p>I evaluated management's assessment of impairment by talking with management about the method used and assumptions in the valuation model.</p> <p>Specific work where I challenged management and corroborated supporting evidence included:</p> <ul style="list-style-type: none"> <li>- comparing the assumptions used within the valuation model to approved budgets and business plans, and other supporting evidence for future assumptions such as expected yearly market turnover and average commission rate</li> <li>- comparing key assumptions with external data. For example, I compared the discount rate with the risk-free rate of government bonds and market risk premium with market data</li> <li>- considering current year and historical performance against the plan and the reasons for any deviation from plan. I also discussed those deviations and uncertainties with management</li> <li>- evaluated and challenged the group's net income forecast in a discussion with the management of the business involved, such as future business plans and focus</li> </ul> <p>I concluded that the key assumptions were reasonable, given the historic results and economic outlook.</p> <p>In the testing valuation model:</p> <ul style="list-style-type: none"> <li>- I checked the calculations for mathematical accuracy and I found no exceptions.</li> <li>- I considered the sensitivity of the calculation by varying the assumptions, which are the discount rate and growth rate, within a reasonable range.</li> </ul> <p>I found that management's assumptions appropriately reflected the current economic conditions in capital market as of the financial statements.</p>

## **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated and separate financial statements and my auditor's report thereon. The annual report is expected to be made available to me after the date of this auditor's report.

My opinion on the consolidated and separate financial statements does not cover the other information and I will not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated and separate financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to the audit committee.

## **Responsibilities of the directors for the consolidated and separate financial statements**

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with TFRSs, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

The audit committee assists the directors in discharging their responsibilities for overseeing the Group and the Bank's financial reporting process.

## **Auditor's responsibilities for the audit of the consolidated and separate financial statements**

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

As part of an audit in accordance with TSAs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and the Bank's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group and the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the audit committee with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, I determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers ABAS Ltd.

**Unakorn Phruithithada**

Certified Public Accountant (Thailand) No. 3257

Bangkok

23 February 2017

Kiatnakin Bank Public Company Limited and Subsidiaries  
Statement of Financial Position  
As at 31 December 2016

Notes	Consolidated		Separate	
	2016 Thousand Baht	2015 Thousand Baht	2016 Thousand Baht	2015 Thousand Baht
<b>Assets</b>				
Cash	1,167,425	1,032,052	1,167,228	1,030,634
Interbank and money market items, net	6 11,484,482	9,801,161	13,278,925	8,664,226
Derivatives assets	7 1,353,345	1,756,965	1,316,371	1,703,010
Investments in securities, net	8 28,365,336	20,290,440	15,044,934	15,013,831
Investments in subsidiaries, net	9 -	-	10,711,188	11,752,771
Investments in receivables, net	10 2,553,786	2,898,694	829,729	901,876
Investments in properties, net	11 851,094	843,476	-	-
Loans to customers and accrued interest receivables, net	12			
Loans to customers	196,487,830	196,329,407	198,552,580	198,804,157
Securities business receivables	-	284,815	-	-
Accrued interest receivables	922,666	936,587	926,724	940,355
Total loans to customers and accrued interest receivables	197,410,496	197,550,809	199,479,304	199,744,512
<u>Less</u> Deferred revenue	(20,133,733)	(18,648,635)	(20,133,733)	(18,648,635)
<u>Less</u> Allowance for doubtful accounts	14 (10,964,711)	(9,539,335)	(10,975,611)	(9,547,235)
<u>Less</u> Allowance for troubled debt restructuring	16 (1,135)	(6,413)	(1,135)	(6,413)
Total loans to customers and accrued interest receivables, net	166,310,917	169,356,426	168,368,825	171,542,229
Properties foreclosed, net	17 3,728,384	4,598,378	4,870,703	6,106,487
Land, premises and equipment, net	18 2,091,799	1,892,262	774,174	541,722
Other intangible assets, net	19.1 733,724	684,964	667,910	617,335
Goodwill	19.2 3,066,035	3,066,035	-	-
Deferred tax assets	20 1,680,935	1,444,770	1,673,658	1,389,447
Accounts receivable from clearing house	629,469	1,030,855	-	-
Securities and derivative business receivables	7,602,021	14,463,306	-	-
Other assets, net	21 2,157,627	2,984,456	1,608,782	2,208,099
<b>Total assets</b>	<b>233,776,379</b>	<b>236,144,240</b>	<b>220,312,427</b>	<b>221,471,667</b>

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





Kiatnakin Bank Public Company Limited and Subsidiaries  
Statement of Financial Position (Cont'd)  
As at 31 December 2016

	Notes	Consolidated		Separate	
		2016 Thousand Baht	2015 Thousand Baht	2016 Thousand Baht	2015 Thousand Baht
<b>Liabilities and equity</b>					
<b>Liabilities</b>					
Deposits	22	109,922,919	104,326,899	110,209,032	104,780,870
Interbank and money market items, net	23	8,359,651	9,209,441	8,000,191	9,118,022
Liabilities payable on demand		225,390	388,583	225,390	390,693
Derivatives liabilities	7	2,499,389	2,583,953	1,897,126	2,336,469
Debt issued and borrowings	24	56,054,619	61,084,916	52,946,967	59,425,078
Provisions	25	567,823	441,873	431,181	284,893
Deferred tax liabilities	20	54,614	108,789	-	-
Accounts payable to clearing house		2,885,681	1,097,742	-	-
Securities and derivative business payables		4,382,762	9,816,958	-	-
Accrued interest expenses		476,549	721,953	476,549	724,728
Other accounts payable	26	1,876,181	1,861,756	1,787,697	1,756,630
Legal Execution Department payable	27	575,380	575,380	575,380	575,380
Income tax payable and specific business tax payable		605,053	695,815	504,285	633,692
Other liabilities	28	4,773,014	5,074,226	4,141,911	4,477,734
<b>Total liabilities</b>		<b>193,259,025</b>	<b>197,988,284</b>	<b>181,195,709</b>	<b>184,504,189</b>
<b>Equity</b>					
Share capital	29				
Authorised share capital					
846,751,109 ordinary shares of Baht 10 each (31 December 2015: 852,337,268 shares of Baht 10 each)		8,467,511	8,523,373	8,467,511	8,523,373
Issued and paid-up share capital					
846,751,109 ordinary shares of Baht 10 each (31 December 2015: 846,751,109 shares of Baht 10 each)		8,467,511	8,467,511	8,467,511	8,467,511
Premium on share capital		9,356,233	9,356,233	9,356,233	9,356,233
Other components of equity	33	1,116,748	906,182	417,308	302,592
Retained earnings					
Appropriated					
Legal reserve	30	852,337	852,337	852,337	852,337
Others		380	380	380	380
Unappropriated		20,504,824	18,345,916	20,022,949	17,988,425
Total equity of the Bank		40,298,033	37,928,559	39,116,718	36,967,478
Non-controlling interests		219,321	227,397	-	-
<b>Total equity</b>		<b>40,517,354</b>	<b>38,155,956</b>	<b>39,116,718</b>	<b>36,967,478</b>
<b>Total liabilities and equity</b>		<b>233,776,379</b>	<b>236,144,240</b>	<b>220,312,427</b>	<b>221,471,667</b>

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

Kiatnakin Bank Public Company Limited and Subsidiaries  
Statement of Profit or Loss and Other Comprehensive Income  
For the year ended 31 December 2016

	Notes	Consolidated		Separate	
		2016 Thousand Baht	2015 Thousand Baht	2016 Thousand Baht	2015 Thousand Baht
Interest income	43	14,869,138	14,776,371	14,109,416	14,260,842
Interest expenses	44	4,436,088	5,327,821	4,347,498	5,254,679
<b>Interest income, net</b>		10,433,050	9,448,550	9,761,918	9,006,163
Fees and services income	45	4,174,296	3,933,960	1,998,737	1,807,624
Fees and services expenses	45	467,747	462,599	126,843	132,258
<b>Fees and services income, net</b>		3,706,549	3,471,361	1,871,894	1,675,366
Gain on trading and foreign exchange transactions, net	46	577,240	877,447	50,927	40,610
Gain (loss) on investments, net	47	203,326	335,750	(381,652)	68,458
Dividend income and profit sharing		442,456	321,246	2,754,632	2,961,719
Other operating income	48	792,921	602,610	634,239	400,564
<b>Total operating income</b>		16,155,542	15,056,964	14,691,958	14,152,880
<b>Other operating expenses</b>					
Employee's expenses		4,767,079	4,287,291	3,511,196	2,952,227
Directors' remuneration		31,982	23,245	31,182	19,840
Premises and equipment expenses		968,748	974,765	789,072	765,388
Taxes and duties		334,831	307,881	325,112	283,625
Loss from revaluation of foreclosed assets		25,898	423,932	41,007	439,754
Loss (gain) from sale of foreclosed assets		(545,112)	380,722	45,401	858,209
Other expenses	49	1,768,984	1,424,030	1,581,979	1,303,931
<b>Total other operating expenses</b>		7,352,410	7,821,866	6,324,949	6,622,974
Impairment loss on loans and debt securities	50	2,313,121	3,207,974	2,330,925	3,127,218
<b>Profit from operating before income tax expenses</b>		6,490,011	4,027,124	6,036,084	4,402,688
Income tax expenses	51	878,896	601,573	614,582	333,265
<b>Net profit</b>		5,611,115	3,425,551	5,421,502	4,069,423

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



Kiatnakin Bank Public Company Limited and Subsidiaries  
Statement of Profit or Loss and Other Comprehensive Income (Cont'd)  
For the year ended 31 December 2016

	Notes	Consolidated		Separate	
		2016 Thousand Baht	2015 Thousand Baht	2016 Thousand Baht	2015 Thousand Baht
<b>Other comprehensive income (expenses)</b>					
Items that will be reclassified subsequently to profit or loss					
Gain (loss) on remeasuring investments in receivables		(74,019)	(84,279)	5,732	3,228
Gain (loss) on remeasuring available-for-sale securities		341,924	(123,348)	137,663	50,762
Income taxes relating to items that will be subsequently reclassified to profit or loss	52	(66,939)	24,290	(28,679)	(10,798)
Total items that will be reclassified subsequently to profit or loss		200,966	(183,337)	114,716	43,192
Items that will not be reclassified subsequently to profit or loss					
Remeasurements of post-employment benefit obligations		313	(16,596)	-	(7,653)
Income taxes on items that will not be subsequently reclassified to profit or loss	52	(1,153)	2,689	-	1,531
Total items that will not be reclassified subsequently to profit or loss		(840)	(13,907)	-	(6,122)
<b>Total other comprehensive income (expenses)</b>		200,126	(197,244)	114,716	37,070
<b>Total comprehensive income</b>		<b>5,811,241</b>	<b>3,228,307</b>	<b>5,536,218</b>	<b>4,106,493</b>
<b>Net profit attributable to</b>					
Equity holders of the Bank		5,546,725	3,317,102	5,421,502	4,069,423
Non-controlling interests		64,390	108,449	-	-
<b>Total comprehensive income attributable to</b>					
Equity holders of the Bank		5,756,452	3,118,956	5,536,218	4,106,493
Non-controlling interests		54,789	109,351	-	-
<b>Earnings per share of Equity holders of the Bank</b>					
Basic earnings per share (Baht)	36	6.55	3.92	6.40	4.81
Diluted earnings per share (Baht)	36	6.55	3.92	6.40	4.81

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

Kiatnakin Bank Public Company Limited and Subsidiaries  
Statement of Changes in Equity  
For the year ended 31 December 2016

Consolidated (Thousand Baht)										
Notes	Equity attributable to the Bank's shareholders									
	Issued and paid-up share capital	Premium on share capital	Other components of equity				Appropriated retained earnings			Non-controlling interests
			Revaluation Surplus (Deficit) on investments in receivables	Revaluation Surplus (Deficit) on available-for-sale securities	Deferred tax relating to components of other comprehensive income (expenses)	Surplus on business combination under common control	Legal reserve	Others	Unappropriated retained earnings	
<b>Opening balances as at 1 January 2015</b>	8,428,336	9,280,742	993,591	179,356	(58,122)	(24,213)	852,337	380	17,029,324	36,681,731
Dividend paid	32	-	-	-	-	-	-	-	(1,986,604)	(1,986,604)
Increase in ordinary shares	39,175	75,491	-	-	-	-	-	-	-	-
Total comprehensive income (expense)	-	-	(85,215)	(123,300)	24,275	-	-	-	3,303,196	3,118,956
Surplus on business combination under common control	-	-	-	-	-	(190)	-	-	-	(190)
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	(111,348)
<b>Closing balances as at 31 December 2015</b>	8,467,511	9,356,233	908,376	56,056	(33,847)	(24,403)	852,337	380	18,345,916	37,928,559
<b>Opening balances as at 1 January 2016</b>	8,467,511	9,356,233	908,376	56,056	(33,847)	(24,403)	852,337	380	18,345,916	37,928,559
Dividend paid	32	-	-	-	-	-	-	-	(3,386,978)	(3,386,978)
Total comprehensive income (expense)	-	-	(64,421)	341,924	(66,937)	-	-	-	5,545,886	5,756,452
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	(62,865)
<b>Closing balances as at 31 December 2016</b>	8,467,511	9,356,233	843,955	397,980	(100,784)	(24,403)	852,337	380	20,504,824	40,298,033
										40,517,354

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



Kiatnakin Bank Public Company Limited and Subsidiaries  
Statement of Changes in Equity (Cont'd)  
For the year ended 31 December 2016

	Separate (Thousand Baht)									
	Notes	Issued and paid-up share capital	Premium on share capital	Other components of equity			Appropriated retained earnings		Unappropriated retained earnings	Total equity
				Revaluation Surplus (Deficit) on investments in receivables	Revaluation Surplus (Deficit) on available-for-sale securities	Deferred tax relating to components of other comprehensive income (expenses)	Legal reserve	Others		
Opening balances as at 1 January 2015		8,428,336	9,280,742	108,323	215,926	(64,849)	852,337	380	15,911,728	34,732,923
Dividend paid	32	-	-	-	-	-	-	-	(1,986,604)	(1,986,604)
Increase in ordinary shares	29	39,175	75,491	-	-	-	-	-	-	114,666
Total comprehensive income (expense)		-	-	3,228	50,762	(10,798)	-	-	4,063,301	4,106,493
Closing balances as at 31 December 2015		8,467,511	9,356,233	111,551	266,688	(75,647)	852,337	380	17,988,425	36,967,478
Opening balances as at 1 January 2016		8,467,511	9,356,233	111,551	266,688	(75,647)	852,337	380	17,988,425	36,967,478
Dividend paid	32	-	-	-	-	-	-	-	(3,386,978)	(3,386,978)
Total comprehensive income (expense)		-	-	5,732	137,663	(28,679)	-	-	5,421,502	5,536,218
Closing balances as at 31 December 2016		8,467,511	9,356,233	117,283	404,351	(104,326)	852,337	380	20,022,949	39,116,718

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

Kiatnakin Bank Public Company Limited and Subsidiaries  
Statement of Cash Flows  
For the year ended 31 December 2016

	Consolidated		Separate	
	2016 Thousand Baht	2015 Thousand Baht	2016 Thousand Baht	2015 Thousand Baht
<b>Cash flows from operating activities</b>				
Profit from operating before income tax expenses	6,490,011	4,027,124	6,036,084	4,402,688
Adjustments to reconcile profit from operating before income tax expenses to cash received (paid) from operating activities				
Depreciation	335,924	330,662	187,606	195,801
Amortisation	103,846	88,631	79,792	73,358
Amortisation of premium on investments in securities	105,046	33,262	105,046	33,262
Bad debt and doubtful accounts	3,290,995	3,932,432	3,307,870	3,844,925
Loss on impairment of investments in receivables	25,814	20,857	26,743	27,608
Gain from transferring investments in receivables to loans	(486)	(28,788)	(486)	(28,788)
Unrealised loss (gain) on on trading and foreign exchange transactions	292,282	648,017	(79,478)	697,230
(Gain) loss on remeasuring trading securities	(731,920)	250,738	(388,415)	203,875
Loss on impairment on general investment	101	-	101	-
Loss on impairment on investments in subsidiaries	-	-	415,882	251,696
Loss on diminution in value of properties foreclosed	25,899	423,931	41,007	439,754
(Gain) loss on impairment of other assets	(371)	(29,350)	(740)	6,987
(Gain) loss on disposal of investment in securities	(331,428)	(72,715)	16,724	(8,434)
Gain on disposal of equipment and intangible assets	(17,665)	(13,306)	(11,589)	(10,614)
Loss on write-off of equipment and intangible assets	5,044	24,507	2,188	24,033
Other income	(223,372)	-	(223,372)	-
Net interest income	(10,538,096)	(9,481,812)	(9,866,964)	(9,039,425)
Dividend income	(442,456)	(321,246)	(2,754,632)	(2,961,719)
Proceeds from interest income	14,977,827	15,049,860	14,227,383	14,527,166
Interest paid	(4,697,259)	(5,517,022)	(4,611,478)	(5,446,853)
Dividend received	441,133	320,279	221,858	113,136
Cash paid for corporate income tax	(1,334,469)	(615,992)	(1,056,094)	(346,439)
Increase in provision expenses	150,823	23,133	146,288	7,587
Decrease in specific business tax payable	(1,543)	(6,984)	(785)	(6,741)
Increase in accrued expenses	127,612	191,194	132,970	191,687
Profit from operating before changes in operating assets and liabilities	8,053,292	9,277,412	5,953,509	7,191,780
(Increase) decrease in operating assets				
Interbank and money market items	(1,965,229)	(2,791,790)	(4,631,767)	(4,944,539)
Investments in trading and available-for-sale securities	(6,812,691)	7,106,154	267,125	5,334,074
Investments in receivables	244,298	302,147	50,359	45,708
Loans and receivables	(4,766,306)	(1,976,267)	(4,027,773)	(2,901,666)
Properties foreclosed	4,849,197	4,681,386	5,341,435	4,797,809
Securities and derivative business receivables	6,429,807	(7,139,849)	-	-
Accounts receivable from clearing house	339,438	1,537,232	-	-
Other assets	777,744	(1,326,310)	595,310	(973,964)

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



Kiatnakin Bank Public Company Limited and Subsidiaries  
Statement of Cash Flows (Cont'd)  
For the year ended 31 December 2016

	Consolidated		Separate	
	2016 Thousand Baht	2015 Thousand Baht	2016 Thousand Baht	2015 Thousand Baht
<b>Cash flows from operating activities (Cont'd)</b>				
Increase (decrease) in operating liabilities				
Deposits	5,596,020	(27,970,267)	5,428,162	(27,641,569)
Interbank and money market items	(635,790)	(585,628)	(1,117,831)	(992,893)
Liabilities payable on demand	(163,193)	73,045	(165,303)	75,155
Short-term borrowings	(167,078)	-	(167,078)	-
Accounts payable to clearing house	1,810,160	27,305	-	-
Securities and derivative business payables	(4,913,635)	2,641,409	-	-
Other payables	212,579	23,998	245,949	55,529
Other liabilities	(304,153)	(422,307)	(384,067)	(424,357)
Net cash from operating activities	8,584,460	(16,542,330)	7,388,030	(20,378,933)
<b>Cash flows from investing activities</b>				
Cash paid for long-term investments in securities	(1,578,939)	(5,987,558)	(733,380)	(4,702,979)
Proceeds from long-term investments in securities	2,176,610	7,380,514	871,032	6,093,627
Proceeds from reduction of the capital in subsidiaries	-	-	608,977	862,745
Dividend received and profit sharing from subsidiaries	-	-	2,268,163	1,024,730
Cash paid to non-controlling interests for purchasing of additional shares of subsidiary	-	-	-	(159)
Cash paid for investment in property	(47,504)	(472,073)	-	-
Cash paid for building improvement and equipment	(545,605)	(764,274)	(455,707)	(178,456)
Proceeds from sales of equipment	23,587	16,754	13,908	13,866
Purchases of intangible assets	(162,143)	(229,977)	(124,385)	(194,623)
Net cash from investing activities	(133,994)	(56,614)	2,448,608	2,918,751
<b>Cash flows from financing activities</b>				
Proceeds from increase in share capital	-	114,666	-	114,666
Proceeds from issuance of debentures	103,720,782	85,179,723	91,239,934	77,043,000
Cash paid for redemption of debentures	(108,586,033)	(66,866,341)	(97,553,000)	(57,980,000)
Dividend paid	(3,386,978)	(1,986,604)	(3,386,978)	(1,986,633)
Dividend paid to non-controlling interests	(61,918)	(100,238)	-	-
Decrease in share capital of non-controlling interest	(946)	(11,300)	-	-
Net cash from financing activities	(8,315,093)	16,329,906	(9,700,044)	17,191,033
<b>Net increase (decrease) in cash and cash equivalents</b>	135,373	(269,038)	136,594	(269,149)
<b>Cash and cash equivalents as at 1 January</b>	1,032,052	1,301,090	1,030,634	1,299,783
<b>Cash and cash equivalents as at 31 December</b>	1,167,425	1,032,052	1,167,228	1,030,634

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

Kiatnakin Bank Public Company Limited and Subsidiaries  
Statement of Cash Flows (Cont'd)  
For the year ended 31 December 2016

**Supplementary information for cash flows:**

**Non-cash transactions**

Significant non-cash transactions for the years ended 31 December 2016 and 2015 are as follows;

	Consolidated		Separate	
	2016 Baht	2015 Baht	2016 Baht	2015 Baht
Increase (decrease) in account payables from Land, premises and equipment purchased	(12,520)	27,040	(31,142)	31,810
Transfer of assets for loan settlement	4,005,742	5,962,833	3,896,997	5,669,202
Transfer of investments in receivables to loans	-	3,826	-	3,826
Increase (decrease) in fair value reserves on investments in receivables	(74,019)	(84,279)	5,732	3,228
Increase (decrease) in fair value reserves on available-for-sale securities	341,924	(119,875)	137,663	50,762
Pay-in-kind properties foreclosed for reduction and distribution of the capital of the subsidiaries	-	-	-	330,838
Profit sharing in form of pay-in-kind	-	-	264,612	1,823,854
Transfer of investments in properties to land, premises and equipment	18,736	-	-	-





# Kiatnakin Bank Public Company Limited and Subsidiaries Notes to the Consolidated and the Separate Financial Statements For the year ended 31 December 2016

## 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 31 December 2016 and 2015, the Bank has 12 and 13 subsidiaries and funds ("subsidiaries"), respectively.

This consolidated and separate financial statements have been approved for issued by the Board of Directors on 23 February 2017.

## 2 Accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below.

### 2.1 Basis of preparation

The consolidated and separate financial statements ("the financial statements") are prepared in accordance with Thai financial reporting standards under the Accounting Act B.E. 2543, being those Thai financial reporting standards issued under the Accounting Professions Act B.E. 2547, and the financial reporting requirements of the Securities and Exchange Commission ("SEC"). The primary financial statements (i.e. statements of financial position, profit or loss and other comprehensive income, changes in shareholders' equity and cash flows) are prepared in the full format as required by the Notification of the Bank of Thailand ("BOT"), no. SorNorSor 21/2558. The preparation and Format of the Financial Statements of Commercial Bank and Holding Parent Company of Financial Group dated on 4 December 2015.

The consolidated and separate financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with the Thai financial reporting standards requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated and separate financial statements, are disclosed in note 5 to the financial statements.

An English-language version of the financial statements has been prepared from the statutory financial statements that are in Thai-language version. In the event of a conflict or a difference in interpretation between the two languages, the Thai language financial statements shall prevail.

## 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 (collectively known as “the Group”) 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;

	Country	Type of business	Ownership interest (%)	
			2016	2015
Phatra Capital PCL.	Thailand	Holding Company	99.98	99.98
Phatra Securities PCL.	Thailand	Securities	99.95 <sup>(1)</sup>	99.95 <sup>(1)</sup>
KKTRADE Securities Co., Ltd.	Thailand	Securities	-	99.97 <sup>(2)</sup>
Phatra Asset Management Co., Ltd.	Thailand	Fund Management	99.97 <sup>(2)</sup>	99.97 <sup>(2)</sup>
Erawan Law Office Co., Ltd.	Thailand	Law Office	99.96 <sup>(4)</sup>	99.96
Asia Recovery 1 Fund	Thailand	Investments	99.95	99.95
Asia Recovery 2 Fund	Thailand	Investments	99.59	99.59
Asia Recovery 3 Fund	Thailand	Investments	99.97	99.97
Thai Restructuring Fund	Thailand	Investments	98.91	98.91
Asia Recovery Property Fund 3	Thailand	Investments	- <sup>(3)</sup>	98.77
Bangkok Capital Fund	Thailand	Investments	95.72	95.72
Gamma Capital Fund	Thailand	Investments	94.03	94.03
CMIC Development Co., Ltd.	Thailand	Real estate	80.58	80.58
Phatra Asset Management (Cayman) Limited	Cayman	Investments	99.98 <sup>(5)</sup>	-

<sup>(1)</sup> Indirectly holding via Phatra Capital PCL. of 99.97%

<sup>(2)</sup> Indirectly holding via Phatra Capital PCL. of 99.99% on 27 April 2016, Phatra Capital Public Company Limited executed an agreement for the sales of all shares in KKTRADE Securities Company Limited (Subsequently changed the Company's name to “Yuanta Securities (Thailand) Company Limited”) with Yuanta Securities Asia Financial Securities Limited which is incorporated in Taiwan and subsequently registered changing in shareholders with Ministry of Commerce as 8 July 2016. As a result, KKTRADE Securities Company Limited is not under the control of Kiatnakin Bank Public Company Limited anymore.

<sup>(3)</sup> Liquidated in 2016

<sup>(4)</sup> Registered for liquidation on 30 June 2016 and under liquidation process

<sup>(5)</sup> Indirectly holding via Phatra Capital PCL. of 100.00% and registered as a limited company on 25 July 2016. As at 31 December 2016, the business has not been operated yet.

## 2.3 New/revised financial reporting standards and related interpretations

2.3.1 New/revised financial reporting standards and interpretations are effective on 1 January 2016. These standards are relevant to the Group.



a) Financial reporting standards, which have an impact to the Group:

TAS 24 (revised 2015)	Related party disclosures
TAS 27 (revised 2015)	Separate financial statements
TAS 40 (revised 2015)	Investment property
TFRS 8 (revised 2015)	Operating segments
TFRS 12 (revised 2015)	Disclosure of interests in other entities
TFRS 13 (revised 2015)	Fair value measurement

TAS 24 (revised 2015), 'Related party disclosures' includes as a related party an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the 'management entity'). Disclosure of the amounts charged to the reporting entity is required.

TAS 27 (revised 2015) allows an investment entity that is exempted from consolidating its subsidiaries presenting separate financial statements as its only financial statements. It requires the investment entity to measure its investment in subsidiaries at fair value through profit or loss.

TAS 40 (revised 2015), 'Investment property' clarifies that TFRS 3 should be applied when determining whether an acquisition of an investment property is a business combination.

TFRS 8 (revised 2015), 'Operating segments' requires disclosure of the judgements made by management in aggregating operating segments. It is also amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported to chief operating decision maker.

TFRS 12 (revised 2015) introduces disclosures that an investment entity needs to disclose.

TFRS 13 (revised 2015), 'Fair value measurement' is amended to clarify that the portfolio exception in TFRS 13 applies to all contracts (including non-financial contracts) within the scope of TAS 39 (when announced) or TFRS 9 (when announced).

Those accounting standards have no significant impact on the consolidated and separate financial statements.

b) Financial reporting standards with minor changes

There are 40 financial reporting standards with minor changes. Those accounting standards do not have an impact on the consolidated and separate financial statements.

2.3.2 Revised financial reporting standards are effective for annual periods beginning on or after 1 January 2017. The Group has not yet early adopted these revised standards.

a) Financial reporting standards, which have significant changes and are relevant to the Group:

TAS 1 (revised 2016)	Presentation of financial statements
TAS 19 (revised 2016)	Employee benefits
TAS 27 (revised 2016)	Separate financial statements
TAS 28 (revised 2016)	Investments in associates and joint ventures
TAS 34 (revised 2016)	Interim financial reporting
TFRS 10 (revised 2016)	Consolidated financial statements

TAS 1 (revised 2016), the amendments provide clarifications on a number of issues, including:

- Materiality - an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- Disaggregation and subtotals - line items specified in TAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.
- Notes - confirmation that the notes do not need to be presented in a particular order.
- OCI arising from investments accounted for under the equity method - the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

TAS 19 (revised 2016), the amendments clarify that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise.

TAS 27 (revised 2016), the amendments allow an entity a policy choice to account for investments in subsidiaries, joint ventures and associates in its separate financial statements using the equity method as described in TAS 28. While current TAS 27 allows entities to measure their investments in subsidiaries, joint ventures and associates either at cost or at fair value (when announced). The election can be made independently for each category of investment (subsidiaries, joint ventures and associates). Entities wishing to change to the equity method must do so retrospectively.



TAS 28 (revised 2016), the significant changes are 1) the amendments allow an entity which is not an investment entity, but has an interest in an associate or joint venture which is an investment entity, a policy choice when applying the equity method of accounting. The entity may choose to retain the fair value measurement applied by the investment entity associate or joint venture, or to unwind the fair value measurement and instead perform a consolidation at the level of the investment entity associate or joint venture and 2) the amendments allow an entity a policy choice to account for investments in subsidiaries, joint ventures and associates in its separate financial statements using the equity method.

TAS 34 (revised 2016), the amendments clarify that what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'; entities taking advantage of the relief must provide a cross-reference from the interim financial statements to the location of that information and make the information available to users on the same terms and at the same time as the interim financial statements.

TFRS 10 (revised 2016), the amendments clarify that: 1) the exception from preparing consolidated financial statements is also available to intermediate parent entities which are subsidiaries of investment entities and 2) an investment entity should consolidate a subsidiary which is not an investment entity and whose main purpose and activity is to provide services in support of the investment entity's investment activities.

The management has already assessed that those accounting standards have no significant impact on the Group financial statements.

#### b) Financial reporting standards with minor changes

There are 47 financial reporting standards with minor changes. The management assesses that they do not have an impact on the Group financial statements.

## 2.4 Group Accounting - Investments in subsidiaries and associates and interests in joint ventures

### (1) Subsidiaries

Subsidiaries are all entities over which the group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the

liabilities incurred to the former owners of acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurements are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in statement of profit or loss and other comprehensive income.

In the separate financial statements, intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the separate financial statements, investment in subsidiaries are accounted for at cost less allowance for impairment. Impairment of investment in subsidiaries is charged to the statement of profit or loss and other comprehensive income when the carrying value of the investment in subsidiaries is higher than its fair value.

## (2) Transactions and non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in owners' equity.



When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

A list of the subsidiaries is set out in Note 2.2

## 2.5 Foreign currency translation

### (a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Baht which is the Group's functional and the Group's presentation currency.

### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit and loss, any exchange component of that gain or loss is recognised in profit and loss.

## 2.6 Cash

Cash includes cash on hand according to the BOT's Notification.

## 2.7 Investments in securities

### 2.7.1 Basis of investment classification

The Group classifies investments other than investments in subsidiaries 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.

All categories of investments are initially recognised at cost, which is equal to the fair value of consideration paid plus transaction cost.

Purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the investments.

#### **2.7.2 Trading and available-for-sale investments**

The Group states 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.

Unrealised gain or loss resulting from changes in fair value of trading investments and gain or loss on disposals are reported as gain on trading and foreign exchange transaction recognised in the statements of profit or loss and other comprehensive income.

Unrealised 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 realised, after which gain or loss on disposal of the investments will be recognised as net gain (loss) on investments.

#### **2.7.3 Held-to-maturity investments**

The Group states held-to-maturity investments at amortised cost using the effective yield method less allowance for impairment (if any) in the statements of financial position.

#### **2.7.4 General investments**

The Group states general investments at cost less allowance for impairment in value, (if any) in the statements of financial position.





### 2.7.5 Impairment of investments in securities

Investments in securities of the Group 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 profit or loss and other comprehensive income.

### 2.7.6 Gain (loss) from disposal of investments in securities

The Group recognises 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 profit or loss and other 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.

## 2.8 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 Group disposes such investments, the realised gain or loss will be recognised in the statements of profit or loss and other comprehensive income.

Investments in receivables of the Group 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 profit or loss and other 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 BOT's Notification No. Sor Nor Sor. 20/2558 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 recognised immediately in the statement of profit or loss and other 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.

## 2.9 Valuation of investments in property

The investments in property are the investments in real estate business of the subsidiaries, which are mutual funds and office rental and servicing provider.

Investment property is measured initially at its cost, including related transaction costs and borrowing costs. After initial recognition, investment is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Land is not depreciated. Depreciation on other investment properties is calculated using the straight line method to allocate their cost to their residual values over their estimated useful lives which are around 40 - 60 years.

The Group recognises the difference between the net disposal proceeds and carrying amount as income or expenses to the statement of profit or loss and other comprehensive income when there is disposal of an investment property.

## **2.10 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 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.

## **2.11 Allowance for doubtful accounts**

The Bank classifies its loan portfolios into categories and sets allowance for doubtful accounts for loans in accordance with the BOT's Notification dated 29 June 2016 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 utilised in classifying a loan. The value of collateral used depends on each type of collateral. The Bank categorises 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 collateralised 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 collateralised 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 assessment of the status of individual debtor as well as the announcement of the Office of the Securities and Exchange Commission Notification. Such assessment takes into consideration 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 Group 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 profit or loss and other comprehensive income.

## **2.12 Troubled debt restructuring**

The Bank accounts for troubled debt restructuring in accordance with guidelines approved by BOT. 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 original effective interest rate for hire-purchase receivables and using the Minimum Lending Rates (MLR) for other loan types prevailing at the restructuring date.

The Bank recognise losses arising from debt restructuring by the waiver of loan principal or recorded accrued interest receivables, less recorded allowance, in the statement of profit or loss and other 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 recognise the difference between book value and fair value in the statements of profit or loss and other 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.

### 2.13 Properties foreclosed

Properties foreclosed include land and/or construction, leasehold, condominium and repossessed vehicles.

The Bank states 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 profit or loss and other comprehensive income when the disposal is made. Impairment loss (if any) is recognised as expense in the statements of profit or loss and other comprehensive income.

### 2.14 Land, premises and equipment

The Group states land at historical cost, while premises and equipment are stated at historical cost less accumulated depreciation.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

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 - 60 years
Equipment	3 - 5 years
Furniture and fixtures	3 - 5 years
Vehicles	5 years



The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains - net' in profit or loss.

### **2.15 Goodwill in a business combination**

Goodwill represents the excess of the consideration transferred over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liability of the acquired subsidiary and the fair value of the non-controlling interest in the acquired subsidiary undertaking at the date of acquisition. Goodwill on acquisitions of subsidiaries is separately reported in the consolidated statement of financial position.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

For excess of net fair value of the identifiable net assets over purchase cost as at the date of acquisition, the Group recognises that excess as revenue recorded in the consolidated statements of profit or loss and other comprehensive income.

### **2.16 Intangible assets**

#### **2.16.1 Computer software**

Acquired computer software licenses are capitalised when the Group uses the specific software. These costs are amortised over their estimated useful lives of not exceeding 10 years.

#### **2.16.2 TFEX membership license**

The subsidiary, which is the securities business, recognised TFEX membership license as intangible asset without amortisation. 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 profit or loss and other comprehensive income.

### 2.16.3 Deferred license fee

The subsidiaries amortise deferred license fee on a systematic basis over the useful economic useful life of 5 years.

## 2.17 Impairment of assets

Assets that have an indefinite useful life, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

An impairment loss is recognised in the profit or loss.

## 2.18 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.

## 2.19 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. Securities and derivatives business receivables are also included receivables from securities borrowing and lending.

## 2.20 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.

## 2.21 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.



## 2.22 Structured notes

The Group's structured notes are offered to customers or business associates of the Group, which 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.

Structured notes comprise of 2 parts which are a note and a put or a call option. If the economic characteristics and risks of an embedded derivative are not closely related to the economic characteristic and risk of host contract, the Group will separately account the embedded derivative from the host contract and measure the embedded derivative under "derivatives assets/liabilities" in the statement of financial position. The host contract will be accounted for under the related accounting standards. On the other hand, if the economic characteristics and risks of an embedded derivative are closely related to the economic characteristics and risks of the host contract, the Group will not separately account the embedded derivative from the host contract and classify the host contract under the related accounting standards.

The initial recognition of structured notes comprises of notes and options. The cost of notes is recorded at amortised cost. The discount is amortised by the effective interest rate method. For an option-based note, it is calculated from selling prices of structured notes less the cost of notes. The balances of structured notes are subsequently measured at fair value. Changes in fair value are reflected in profit or loss. The value of the option part is calculated from the Black-Scholes model as a valuation technique and theoretical model. The input variables used in this model are derived from observable market variables and conditions that include market prices of the underlying asset, volatility of the underlying asset, time to maturity of option, risk free rate, strike price and dividends.

## 2.23 Employment benefit

### Provident fund

The Group operates a provident fund that is a defined contribution plan, the assets of which are held separately from the Group and managed by an external authorised fund manager in accordance with the provident fund Act. B.E. 2530. The provident fund is funded by payments from employees and by the Group. The Group has no further payment obligations once the contributions have been paid. Contributions to the provident fund are recognised as employee benefit expense when they are due.

The Group 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.

Remeasurements of post-employment benefit obligations arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in profit or loss.

The Group recognises the post-employment benefit obligation as a provision in the statement of financial position and personnel expenses in the statement of profit or loss and other comprehensive income.

#### Benefit from carried forward leave

The Group recognises the benefit from employees' cumulative carried forward leave as a provision in the statement of financial position and personnel expenses in the statement of profit or loss and other comprehensive income.

## **2.24 Provisions**

Provisions for legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.





## 2.25 Current and deferred income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising from differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## 2.26 Derivatives

Recognition of derivatives is as follows;

2.26.1 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. The Group presents fair value of future contracts as the part of other assets.

2.26.2 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.

## 2.27 Recognition and amortisation customers' deposits

Cash collateral received from customers for trading in securities of cash balance accounts and 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.

## 2.28 Securities borrowing and lending

The Group is engaged in securities borrowing and lending, whereby the Group acts as a principal of the borrowers and lenders of securities.

The Group records its obligations to return borrowed securities which it has been sold as short selling or lent as "Securities borrowing and lending payables" recognised as Securities and derivatives business payables, net in the statements of financial position, and securities lent to customers as "Securities borrowing and lending receivables" recognised as Securities and derivatives business receivables in the statement of financial position. The balance of securities borrowing and lending receivables and payables are subsequently measured at fair value. The fair value is based on last offer price quoted on the Stock Exchange of Thailand of the last business day on the statement of financial position date. Unrealised gains or losses resulting from securities borrowing and lending receivables and payables are included in gain (loss) on investments in profit or loss. Moreover, the Group records cash paid as collateral for securities borrowing as "Collateral receivables" and cash received as collateral for securities lending as "Collateral payables". Fees from borrowing are charged to expenses, and fees from lending are recognised as revenue. They are recognised on an accrual basis over the term of the borrowing and lending.

## 2.29 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 capitalised 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 profit or loss and other 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 recognised as an expense in the period in which such termination takes place.



### **2.30 Interest income on loans and deposits**

Interest income on loans and deposits are recognised 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 recognised 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 BOT's Notification dated on 29 June 2016. The Bank will recognise 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.

### **2.31 Hire-purchase and finance lease income**

Interest income from hire-purchase contracts is recognised based on the effective interest method.

Interest income on hire-purchase is recognised 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 BOT's Notification dated on 29 June 2016. The Bank will recognise 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 Group recognises income from finance lease contracts on the effective interest method over the period of contracts.

### **2.32 Interest and dividend income from investment in securities**

Interest income on investment in securities is recognised as income by applying effective interest method except in the case of interest on debt securities which is over three months past due where interest is recognised on cash basis. Dividend income is recognised when dividend is declared.

### **2.33 Income from investments in receivables**

The Group recognises interest income from investments in receivables on the cash basis based on the outstanding loans multiplied by the effective yield according to contract or new agreement.

### **2.34 Fees and services income**

The Bank and its subsidiaries recognise fees and services income when services have been rendered.

### **2.35 Recognition of expenses**

The Group recognises expenses on an accrual basis.

### 2.36 Earnings per share

The Group computes 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).

### 2.37 Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Group's shareholders.

### 2.38 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

## 3 Capital risk management

The Group's objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt obligations.

Moreover, the Bank is required to manage its capital funds in accordance with the Act on Undertaking of Banking Business B.E. 2551. The Bank's capital fund is presented in Note 31 to the financial statements.

## 4 Risk management

The risk management policy of the Group is emphasised 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 centralised framework and risk management policy of the Group, 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, Derivative assets, investments in securities, investment in subsidiaries, investments in receivables, loans to customers



and accrued interest receivables, account receivable from clearing house and securities and derivative business receivables. Significant financial liabilities carried on the statement of financial position include deposits, interbank and money market items, derivative liabilities, debt issued and borrowings, accounts payable to clearing house, securities and derivative business payable, accrued interest expenses, other account payables and legal execution department payable.

Risks relating to significant financial instruments held by the Group are summarised 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.

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;

##### **4.1.1 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 Capital.

##### **4.1.2 Development of Credit Approval Aid**

The Bank aims to consistently develop and improve its tools for assisting the credit approval process. Set up Product Program for Retail Banking, which covers 2 dimensions, customer profile and collateral class. In addition, Behavior-Score usage, which applied for acquired existing customer with different credit granted from risk level. For new customer, scoring was implemented for the Bank to efficiently assess risks and select a customer group in accordance with its goals and strategy.

##### **4.1.3 Loan portfolio Management**

The Bank focuses on giving credit to businesses which the Bank has expertise. The Bank will manage its loan portfolio to maximise profit with an acceptable level or Risk Appetite of each portfolio as well as early warning indicator for monitoring of loan portfolio position with a systematic information reporting, in-depth analysis for the identification of risks and solution planning. A concentration risk limit is also utilised to lessen the volatility in the Group's performance. Examples of concentration limits include the Single Lending Limit and the Large Borrower Concentration Limit.

In the case of recognised financial assets, the carrying amount of the assets recorded in the statement of financial position, net of a portion of allowance for doubtful accounts, represents the maximum exposure to credit risk.

The Group considers 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 Group is 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 Group 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 Group exposure to potential credit loss. The Group controls credit risk on financial instruments through prudent credit approvals, limits, and strict monitoring procedures.

The Group has 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 Group has policies that limit the credit line of loan transaction to any client or financial institution.

As at 31 December 2016 and 2015, concentrations of credit risk relative to the loans and receivables summarised by type of industry are as follows;

	Consolidated		Separate	
	2016 Thousand Baht	2015 Thousand Baht	2016 Thousand Baht	2015 Thousand Baht
Agriculture and mining	201,941	159,164	201,941	159,164
Manufacturing and commerce	10,368,324	8,862,558	10,368,324	8,862,558
Real estate and constructions	27,257,688	33,968,517	28,232,438	33,968,517
Public utilities and services	4,930,279	6,824,801	4,930,279	6,824,801
Housing loans	3,368,335	900,616	3,368,335	900,616
Hire-purchase loans	117,688,120	120,911,408	117,688,120	120,911,408
Finance lease loans	778,186	933,813	778,186	933,813
Others	11,761,224	5,404,710	12,851,224	7,594,645
<b>Total loans and receivables</b>	<b>176,354,097</b>	<b>177,965,587</b>	<b>178,418,847</b>	<b>180,155,522</b>



## 4.2 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.

The Group has laid out a market risk management framework for the efficient and appropriate management of market risk while limiting the risk to the risk appetite and overall risk policy of the Group. The Group has also continually developed the throughout systematic market risk management scheme, starting from risk identification, measurement, control and monitor. The risk management scheme includes related market risk factors, such as, interest rates, foreign exchange rate, and equity price risks.

The Bank's risk management group is responsible for monitoring and reporting market risk of Bank's activities, which separated into 2 sections, trading book, and banking book. This is controlled by internationally accepted risk measurement tools, Value at Risk (VaR), price change per a basis point (PV01), and Net Open Position in Foreign Currency (NOP), for example.

The market risk management of the capital market business, which managed by subsidiaries, strategies chiefly invest in listed equities in The Stock Exchange of Thailand, and future contracts in The Thailand Futures Exchange. The market risks of these strategies are designed to be minimal by hedging their market risks.

However, the capital market business realises risks inherent in the investment strategies, as such, the risk level is set to be in line with the risk appetite. The risk management of the capital market business is responsible for setting internationally accepted risk limits, Value at Risk (VaR), maximum holding limit set according to daily trading volume, for instance. The risk management promptly reports to related parties when the set limit is breached, or when an unusual event occurs.

#### 4.2.1 Interest rate risk

The Bank manages interest rate risk in trading book by limiting portfolio's sensitivity to interest rate change, including relevant foreign interest rates, to be in line with the risk appetite.

Interest rate risk management in banking book is to reduce negative impact arising from interest rate volatility. The Bank manages risk of the gap between asset and liability structures, which sensitive to interest rate change, both on statement of financial position, and off-statement of financial position. The Bank specifies to regularly evaluate the impacts on net interest income (Earning perspective), and economic value of equity (Economic value perspective), under supervision of the Assets and Liabilities Management Committee (ALCO). The treasury department is mainly responsible for managing the structure of assets and liabilities to be at an appropriate level, while the risk management group monitors and controls the risk, and reports to the Risk Management Committee and the Bank's Board of Directors on a regular basis.

As at 31 December 2016 and 2015, the loan information classified by fixed and floating rates is summarised as follows;

	Consolidated		Separate	
	2016 Thousand Baht	2015 Thousand Baht	2016 Thousand Baht	2015 Thousand Baht
Loans and receivables with fixed interest rate	135,658,372	131,987,264	135,658,372	131,987,264
Loans and receivables with floating interest rate	40,695,725	45,978,323	42,760,475	48,168,258
<b>Total loans and receivables</b>	<b>176,354,097</b>	<b>177,965,587</b>	<b>178,418,847</b>	<b>180,155,522</b>





The Group has summarised financial assets and liabilities classified on maturity of interest re-pricing period as at 31 December 2016 and 2015 as follows;

	Consolidated						
	2016						
	0 - 3 months Thousand Baht	Over 3 - 12 months Thousand Baht	Over 1 - 5 years Thousand Baht	Over 5 years Thousand Baht	Non-performing loans Thousand Baht	Non-interest bearing Thousand Baht	Total Thousand Baht
<b>Financial assets</b>							
Interbank and money market items, net	9,542,229	-	-	-	-	1,944,583	11,486,812
Derivatives assets	7,828	2,488	187,490	-	-	1,155,539	1,353,345
Investments in securities, net	997,625	2,375,467	7,384,247	426,403	-	17,181,594	28,365,336
Investments in receivables, net	-	340,315	524,190	-	1,689,281	-	2,553,786
Loans	48,917,493	27,238,111	81,474,141	6,557,660	11,165,394	1,001,298	176,354,097
Receivables from clearing house	-	-	-	-	-	629,469	629,469
Securities and derivative business receivables	-	-	-	-	-	7,602,021	7,602,021
<b>Financial liabilities</b>							
Deposits	70,411,174	22,333,432	15,205,031	1,512,941	-	460,341	109,922,919
Interbank and money market items, net	7,495,602	269,784	88,399	407,014	-	98,852	8,359,651
Liabilities payables on demand	-	-	-	-	-	225,390	225,390
Derivatives liabilities	873	75,474	350,441	-	-	2,072,601	2,499,389
Debt issued and borrowings	22,200,967	25,558,652	2,295,000	6,000,000	-	-	56,054,619
Payable to clearing house	-	-	-	-	-	2,885,681	2,885,681
Securities and derivative business payables	-	-	-	-	-	4,382,762	4,382,762

	Consolidated						
	2015						
	0 - 3 months Thousand Baht	Over 3 - 12 months Thousand Baht	Over 1 - 5 years Thousand Baht	Over 5 years Thousand Baht	Non- performing loans Thousand Baht	Non- interest bearing Thousand Baht	Total Thousand Baht
Financial assets							
Interbank and money market items, net	8,155,093	-	-	-	-	1,646,068	9,801,161
Derivatives assets	12,840	66,148	462,272	-	-	1,215,705	1,756,965
Investments in securities, net	2,213,002	875,700	8,072,383	1,004,840	-	8,124,515	20,290,440
Investments in receivables, net	-	360,750	541,126	-	1,996,818	-	2,898,694
Loans	56,240,788	26,955,526	79,101,649	4,225,166	10,400,536	1,041,922	177,965,587
Receivables from clearing house	-	-	-	-	-	1,030,855	1,030,855
Securities and derivative business receivables	-	-	-	-	-	14,463,306	14,463,306
Financial liabilities							
Deposits	61,640,313	24,922,101	16,696,182	593,594	-	474,709	104,326,899
Interbank and money market items, net	7,647,450	992,121	413,230	114,200	-	42,440	9,209,441
Liabilities payables on demand	-	-	-	-	-	388,583	388,583
Derivatives liabilities	13,040	65,557	310,539	-	-	2,194,817	2,583,953
Debt issued and borrowings	18,779,000	28,070,916	11,235,000	3,000,000	-	-	61,084,916
Payable to clearing house	-	-	-	-	-	1,097,742	1,097,742
Securities and derivative business payables	-	-	-	-	-	9,816,958	9,816,958



	Separate						
	2016						
	0 - 3 months Thousand Baht	Over 3 - 12 months Thousand Baht	Over 1 - 5 years Thousand Baht	Over 5 years Thousand Baht	Non-performing loans Thousand Baht	Non-interest bearing Thousand Baht	Total Thousand Baht
Financial assets							
Interbank and money market items, net	12,132,271	-	-	-	-	1,183,984	13,316,255
Derivatives assets	7,828	2,488	187,490	-	-	1,118,565	1,316,371
Investments in securities, net	1,012,575	2,285,703	7,354,003	426,403	-	3,966,250	15,044,934
Investments in receivables, net	-	331,892	497,837	-	-	-	829,729
Loans	48,917,493	29,302,861	81,474,141	6,557,660	11,165,394	1,001,298	178,418,847
Financial liabilities							
Deposits	70,697,287	22,333,432	15,205,031	1,512,941	-	460,341	110,209,032
Interbank and money market items, net	7,136,142	269,784	88,399	407,014	-	98,852	8,000,191
Liabilities payables on demand	-	-	-	-	-	225,390	225,390
Derivatives liabilities	873	75,474	350,441	-	-	1,470,338	1,897,126
Debt issued and borrowings	22,200,967	22,451,000	2,295,000	6,000,000	-	-	52,946,967

	Separate						
	2015						
	0 - 3 months Thousand Baht	Over 3 - 12 months Thousand Baht	Over 1 - 5 years Thousand Baht	Over 5 years Thousand Baht	Non-performing loans Thousand Baht	Non-interest bearing Thousand Baht	Total Thousand Baht
Financial assets							
Interbank and money market items, net	7,620,000	-	-	-	-	1,044,226	8,664,226
Derivatives assets	12,840	66,148	462,272	-	-	1,161,750	1,703,010
Investments in securities, net	2,213,002	875,700	8,041,608	1,004,840	-	2,878,681	15,013,831
Investments in receivables, net	-	360,750	541,126	-	-	-	901,876
Loans	55,955,973	29,430,276	79,101,649	4,225,166	10,400,536	1,041,922	180,155,522
Financial liabilities							
Deposits	62,094,283	24,922,101	16,696,182	593,594	-	474,710	104,780,870
Interbank and money market items, net	8,462,792	85,360	413,230	114,200	-	42,440	9,118,022
Liabilities payables on demand	-	-	-	-	-	390,693	390,693
Derivatives liabilities	13,040	65,557	310,539	-	-	1,947,333	2,336,469
Debt issued and borrowings	18,779,000	26,411,078	11,235,000	3,000,000	-	-	59,425,078

The average balances of significant performing financial assets and financial liabilities, including the average interest are summarised as follows;

Consolidated			
2016			
	Average outstanding balances Thousand Baht	Interest Thousand Baht	Average rate %
<b>Significant performing financial assets</b>			
Interbank and money market items, net	8,890,235	134,678	1.51
Investments in securities	24,484,652	403,441	1.65
Investments in receivables	2,368,180	984,850	41.59
Loans	175,858,250	13,346,169	7.59
	<b>211,601,317</b>	<b>14,869,138</b>	<b>7.03</b>
<b>Significant financial liabilities</b>			
Deposits	104,884,088	2,111,471	2.01
Interbank and money market items, net	7,999,028	89,103	1.11
Debt issued and borrowings	57,816,095	1,461,588	2.53
	<b>170,699,211</b>	<b>3,662,162</b>	<b>2.15</b>

Consolidated			
2015			
	Average outstanding balances Thousand Baht	Interest Thousand Baht	Average rate %
<b>Significant performing financial assets</b>			
Interbank and money market items, net	6,738,943	134,756	2.00
Investments in securities	27,088,338	578,694	2.14
Investments in receivables	2,681,291	534,379	19.93
Loans	178,659,828	13,528,542	7.57
	<b>215,168,400</b>	<b>14,776,371</b>	<b>6.87</b>
<b>Significant financial liabilities</b>			
Deposits	118,935,099	3,061,618	2.57
Interbank and money market items, net	7,477,426	94,407	1.26
Debt issued and borrowings	49,943,957	1,328,439	2.66
	<b>176,356,482</b>	<b>4,484,464</b>	<b>2.54</b>



#### Significant performing financial assets

Interbank and money market items, net
Investments in securities
Investments in receivables
Loans

#### Significant financial liabilities

Deposits
Interbank and money market items, net
Debt issued and borrowings

Separate		
2016		
Average outstanding balances Thousand Baht	Interest Thousand Baht	Average rate %
7,284,891	108,499	1.49
14,111,013	337,147	2.39
1,242,812	206,274	16.60
177,938,001	13,457,496	7.56
200,576,717	14,109,416	7.03
105,570,242	2,111,747	2.00
7,767,261	94,431	1.22
55,513,452	1,408,833	2.54
168,850,955	3,615,011	2.14

#### Significant performing financial assets

Interbank and money market items, net
Investments in securities
Investments in receivables
Loans

#### Significant financial liabilities

Deposits
Interbank and money market items, net
Debt issued and borrowings

Separate		
2015		
Average outstanding balances Thousand Baht	Interest Thousand Baht	Average rate %
4,150,574	67,582	1.63
18,843,515	487,213	2.59
1,344,004	95,384	7.10
180,027,370	13,610,663	7.56
204,365,463	14,260,842	6.98
119,099,812	3,062,009	2.57
7,438,714	122,744	1.65
48,015,995	1,285,017	2.68
174,554,521	4,469,770	2.56

#### 4.2.2 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 Bank sets and controls the risk of trading intent transactions that exposed to foreign exchange rate risk to be within an acceptable level. The transactions include foreign currency bonds, FX spot, FX derivatives, and cross currency swap. For other assets and liabilities, the Bank regularly hedges against the foreign exchange rate risk by using forward and swap contracts. Therefore, the Bank's overall foreign exchange rate risk is relatively low.

The subsidiaries have strategies, which invest abroad and do not intent to expose to foreign exchange rate risk. As such, the subsidiaries also use forward and swap contracts to hedge the risk. However, the foreign exchange rate risk may remain for some investment strategies, since the amount of these investment strategies is considered as very small or the investments are exposed to foreign exchange rate risk in low liquidity currencies, and unable to hedge. Although, the remaining foreign exchange rate risk is considered as minimal, and not significant to the Bank and subsidiaries.



The balances of financial assets and liabilities denominated in foreign currencies as at 31 December 2016 and 2015 are summarised as follows;

	Consolidated						
	2016						
	US Dollar Thousand Baht	Hong Kong Dollar Thousand Baht	Yen Thousand Baht	Yuan Thousand Baht	Vietnam- ese Dong Thousand Baht	Others Thousand Baht	Total Thousand Baht
Financial assets							
Interbank and money market items, net	594,591	2,345	63	260	-	16,131	613,390
Investments in securities, net	-	-	-	-	697,496	234,762	932,258
Loans to customers and accrued interest receivables	1,767,797	-	-	-	-	-	1,767,797
Receivables from clearing house	-	-	-	-	-	-	-
Securities and derivative business receivables	378	-	-	-	-	-	378
Total	2,362,766	2,345	63	260	697,496	250,893	3,313,823
Financial liabilities							
Deposits	-	-	-	-	-	-	-
Interbank and money market items, net	-	-	-	-	-	-	-
Debt issued and borrowings	-	-	-	-	-	-	-
Payable to clearing house	378	-	-	-	1,755	3,223	5,356
Securities and derivative business payables	-	-	-	-	-	-	-
Total	378	-	-	-	1,755	3,223	5,356
Foreign currency position of Items recognised on the statements of financial position -net	2,362,388	2,345	63	260	695,741	247,670	3,308,467
Items not recognised on the statements of financial position -net (Forward exchange contracts and cross currency swaps)	(2,132,431)	1,386	(92,363)	-	-	(11,543)	(2,234,951)

	Consolidated						
	2015						
	US Dollar Thousand Baht	Hong Kong Dollar Thousand Baht	Yen Thousand Baht	Yuan Thousand Baht	Vietnam- ese Dong Thousand Baht	Others Thousand Baht	Total Thousand Baht
<b>Financial assets</b>							
Interbank and money market items, net	114,534	66	555	603	-	451	116,209
Investments in securities, net	-	2,313	-	-	283,025	-	285,338
Loans to customers and accrued interest receivables	1,541,205	-	-	-	-	-	1,541,205
Receivables from clearing house	-	-	-	-	-	-	-
Securities and derivative business receivables	-	-	-	-	-	-	-
Total	1,655,739	2,379	555	603	283,025	451	1,942,752
<b>Financial liabilities</b>							
Deposits	-	-	-	-	-	-	-
Interbank and money market items, net	-	-	-	-	-	-	-
Debt issued and borrowings	-	-	-	-	-	-	-
Payable to clearing house	-	-	-	-	-	-	-
Securities and derivative business payables	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-
Foreign currency position of Items recognised on the statements of financial position -net	1,655,739	2,379	555	603	283,025	451	1,942,752
Items not recognised on the statements of financial position -net (Forward exchange contracts and cross currency swaps)	(2,071,059)	-	-	-	-	-	(2,071,059)



**Financial assets**

Interbank and money market items, net	205,035	63	260	18,476	223,834
Investments in securities, net	-	-	-	-	-
Loans to customers and accrued interest receivables	1,767,797	-	-	-	1,767,797
<b>Total</b>	<b>1,972,832</b>	<b>63</b>	<b>260</b>	<b>18,476</b>	<b>1,991,631</b>

**Financial liabilities**

Deposits	-	-	-	-	-
Interbank and money market items, net	-	-	-	-	-
Debt issued and borrowings	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Foreign currency position of**

Items recognised on the statements of financial position, net	1,972,832	63	260	18,476	1,991,631
Items not recognised on the statements of financial position, net (Forward exchange contracts and cross currency swaps)	(1,618,356)	(92,363)	-	(10,157)	(1,720,876)

**Financial assets**

Interbank and money market items, net	99,147	555	604	516	100,822
Investments in securities, net	-	-	-	-	-
Loans to customers and accrued interest receivables	1,541,205	-	-	-	1,541,205
<b>Total</b>	<b>1,640,352</b>	<b>555</b>	<b>604</b>	<b>516</b>	<b>1,642,027</b>

**Financial liabilities**

Deposits	-	-	-	-	-
Interbank and money market items, net	-	-	-	-	-
Debt issued and borrowings	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Foreign currency position of**

Items recognised on the statements of financial position, net	1,640,352	555	604	516	1,642,027
Items not recognised on the statements of financial position, net (Forward exchange contracts and cross currency swaps)	(1,656,808)	-	-	-	(1,656,808)

#### 4.2.3 Equity price risk

Equity price risk refers to the loss affecting income and/or equity from a movement in equity price.

The Bank assesses the potential of securities issuer companies and has a policy to buy/sell equity securities mainly for medium-term and long-term investments. For trading book, the bank can invest in equity securities and/or equity derivative. In managing equity position risk which is held, according to initial intention, as long-term, the Bank monitors and regularly reports the equity price risk.

At 31 December 2016, the majority of Bank's equity position is in the subsidiaries, and unit trusts, which manage the Bank's assets. The remaining portion consists of equities listed in The Stock Exchange of Thailand, and those obtained from debt restructuring.

The equity position in the banking book of the capital market business is managed by the direct investment department of Phatra Capital PCL., which focuses on a long-term investment based on the business intrinsic value by employing value based investment approach. In a search for investment opportunities, the direct investment department performs in-depth analysis, and covers essential aspects related to sustainable growth of the business opportunity, such as, attractiveness, industry's trend, business model, sustainable competitiveness, talent and transparency of executives, including the structure that encourages good governance. However, every transaction of the direct investment department must be approved from the Investment Committee (IC) before investing and be controlled and monitored transactions under the framework which approved by the risk management department.



### 4.3 Liquidity risk

Liquidity risk is the risk of the Bank 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 analysed 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 under Liquidity Coverage Ratio (LCR) regulated by BOT 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 in each type of deposit and maturity
- Provision of contingent liquidity reserves

Significant assets and liabilities of the Bank analysed by relevant maturity groupings are as follows;

	Consolidated					
	2016					
	On demand Thousand Baht	Within 1 year Thousand Baht	Over 1 - 5 years Thousand Baht	Over 5 years Thousand Baht	No maturity Thousand Baht	Total Thousand Baht
<b>Financial assets</b>						
Cash	-	-	-	-	1,167,425	1,167,425
Interbank and money market items, net	3,049,023	8,433,961	-	-	5,818	11,488,802
Derivatives assets	-	1,054,982	289,638	8,725	-	1,353,345
Investments in securities, net	-	14,936,826	6,554,518	426,403	6,447,589	28,365,336
Investments in receivables, net	-	8,423	2,545,363	-	-	2,553,786
Hire-purchase receivables	29,537	4,212,455	83,224,895	30,221,233	-	117,688,120
Finance lease receivables	5,795	92,728	679,663	-	-	778,186
Loans and receivables	1,830,831	4,848,324	30,409,530	20,799,106	-	57,887,791
Accounts receivable from clearing house	-	629,469	-	-	-	629,469
Securities and derivative business receivables	-	7,602,021	-	-	-	7,602,021
<b>Total financial assets</b>	<b>4,915,186</b>	<b>41,819,189</b>	<b>123,703,607</b>	<b>51,455,467</b>	<b>7,620,832</b>	<b>229,514,281</b>
<b>Financial liabilities</b>						
Deposits	59,024,217	34,180,730	15,205,031	1,512,941	-	109,922,919
Interbank and money market items, net	520,778	7,348,220	83,639	407,014	-	8,359,651
Liabilities payable on demand	225,390	-	-	-	-	225,390
Derivatives liabilities	-	2,062,822	436,567	-	-	2,499,389
Debt issued and borrowings	-	47,759,619	2,295,000	6,000,000	-	56,054,619
Accounts payable to clearing house	-	2,885,681	-	-	-	2,885,681
Securities and derivative business payables	-	4,382,762	-	-	-	4,382,762
<b>Total financial liabilities</b>	<b>59,770,385</b>	<b>98,619,834</b>	<b>18,020,237</b>	<b>7,919,955</b>	<b>-</b>	<b>184,330,411</b>



	Consolidated					
	2015					
	On demand Thousand Baht	Within 1 year Thousand Baht	Over 1 - 5 years Thousand Baht	Over 5 years Thousand Baht	No maturity Thousand Baht	Total Thousand Baht
<b>Financial assets</b>						
Cash	-	-	-	-	1,032,052	1,032,052
Interbank and money market items, net	3,873,659	5,921,737	-	-	5,765	9,801,161
Derivatives assets	-	1,294,693	462,272	-	-	1,756,965
Investments in securities, net	-	7,101,637	7,170,507	1,004,840	5,013,456	20,290,440
Investments in receivables, net	-	-	2,898,694	-	-	2,898,694
Hire-purchase receivables	36,141	3,596,439	93,210,827	24,068,000	-	120,911,407
Leasing receivables	-	90,585	843,228	-	-	933,813
Loans and receivables	972,741	6,130,467	30,083,772	18,655,670	277,717	56,120,367
Accounts receivable from clearing house	-	1,030,855	-	-	-	1,030,855
Securities and derivative business receivables	-	14,463,306	-	-	-	14,463,306
<b>Total financial assets</b>	<b>4,882,541</b>	<b>39,629,719</b>	<b>134,669,300</b>	<b>43,728,510</b>	<b>6,328,990</b>	<b>229,239,060</b>
<b>Financial liabilities</b>						
Deposits	52,874,413	34,162,710	16,696,182	593,594	-	104,326,899
Interbank and money market items, net	406,250	8,137,091	202,740	463,360	-	9,209,441
Liabilities payable on demand	388,583	-	-	-	-	388,583
Derivatives liabilities	-	1,855,518	728,435	-	-	2,583,953
Debt issued and borrowings	-	39,274,916	15,810,000	6,000,000	-	61,084,916
Accounts payable to clearing house	-	1,097,742	-	-	-	1,097,742
Securities and derivative business payables	-	9,816,958	-	-	-	9,816,958
<b>Total financial liabilities</b>	<b>53,669,246</b>	<b>94,344,935</b>	<b>33,437,357</b>	<b>7,056,954</b>	<b>-</b>	<b>188,508,492</b>

	Separate					
	2016					
	On demand Thousand Baht	Within 1 year Thousand Baht	Over 1 - 5 years Thousand Baht	Over 5 years Thousand Baht	No maturity Thousand Baht	Total Thousand Baht
<b>Financial assets</b>						
Cash	-	-	-	-	1,167,228	1,167,228
Interbank and money market items, net	4,884,284	8,433,961	-	-	-	13,318,245
Derivatives assets	-	1,018,008	289,638	8,725	-	1,316,371
Investments in securities, net	-	3,298,278	6,524,274	426,403	4,795,979	15,044,934
Investments in receivables, net	-	-	829,729	-	-	829,729
Hire-purchase receivables	29,537	4,212,455	83,224,895	30,221,233	-	117,688,120
Finance lease receivables	5,795	92,728	679,663	-	-	778,186
Loans and receivables	1,830,831	6,913,074	30,409,530	20,799,106	-	59,952,541
<b>Total financial assets</b>	<b>6,750,447</b>	<b>23,968,504</b>	<b>121,957,729</b>	<b>51,455,467</b>	<b>5,963,207</b>	<b>210,095,354</b>
<b>Financial liabilities</b>						
Deposits	59,310,330	34,180,730	15,205,031	1,512,941	-	110,209,032
Interbank and money market items, net	161,318	7,348,220	83,639	407,014	-	8,000,191
Liabilities payable on demand	225,390	-	-	-	-	225,390
Derivatives liabilities	-	1,511,150	385,976	-	-	1,897,126
Debt issued and borrowings	-	44,651,967	2,295,000	6,000,000	-	52,946,967
<b>Total financial liabilities</b>	<b>59,697,038</b>	<b>87,692,067</b>	<b>17,969,646</b>	<b>7,919,955</b>	<b>-</b>	<b>173,278,706</b>



	Separate					
	2015					
	On demand Thousand Baht	Within 1 year Thousand Baht	Over 1 - 5 years Thousand Baht	Over 5 years Thousand Baht	No maturity Thousand Baht	Total Thousand Baht
<b>Financial assets</b>						
Cash	-	-	-	-	1,030,634	1,030,634
Interbank and money market items, net	2,742,488	5,921,738	-	-	-	8,664,226
Derivatives assets	-	1,240,738	462,272	-	-	1,703,010
Investments in securities, net	-	3,088,702	7,139,732	1,004,840	3,780,557	15,013,831
Investments in receivables, net	-	-	901,876	-	-	901,876
Hire-purchase receivables	36,141	3,596,439	93,210,827	24,068,000	-	120,911,407
Leasing receivables	-	90,585	843,228	-	-	933,813
Loans and receivables	965,643	8,605,217	30,083,772	18,655,670	-	58,310,302
<b>Total financial assets</b>	<b>3,744,272</b>	<b>22,543,419</b>	<b>132,641,707</b>	<b>43,728,510</b>	<b>4,811,191</b>	<b>207,469,099</b>
<b>Financial liabilities</b>						
Deposits	53,328,384	34,162,710	16,696,182	593,594	-	104,780,870
Interbank and money market items, net	171,592	8,280,330	202,740	463,360	-	9,118,022
Liabilities payable on demand	390,693	-	-	-	-	390,693
Derivatives liabilities	-	1,746,744	589,725	-	-	2,336,469
Debt issued and borrowings	-	37,615,078	15,810,000	6,000,000	-	59,425,078
<b>Total financial liabilities</b>	<b>53,890,669</b>	<b>81,804,862</b>	<b>33,298,647</b>	<b>7,056,954</b>	<b>-</b>	<b>176,051,132</b>

#### 4.4 Fair value

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 and complied with related authorities' regulations.

The Group holds derivatives for trading intent, and servicing customers, including for a purpose of managing the Bank and subsidiaries' assets and liabilities. This includes interest rate swaps, cross currency swaps, FX derivatives, and equity derivatives.

Additionally, the Group does not only control the market risk of the derivatives to be within an acceptable level, but also the counterparty credit risks by setting-up, and controlling transaction limits based on the normal lending procedures.

## 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 BOT'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 utilised 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 BOT'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 flows 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

The Bank sets 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 BOT's guidelines.

### 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.

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 flows from receivables or present value of expected cash flows from disposal of the collateralised 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 uncollateralised 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 collateralised 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.

#### 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 realised 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 at 18% per annum 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 realised 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 calculates allowance for impairment of repossessed vehicles in accordance with the BOT's Notification plus additional allowance based on the management's estimation which consider from the historical loss experienced from sale of the repossessed vehicles.

### 5.5 Goodwill

Goodwill is tested for impairment using a fair value method of present value of dividend discount model on an annual basis.

### 5.6 Fair value of financial derivative instruments

In determining the fair value of financial derivative instruments the management has made judgement by using a variant of acceptable valuation techniques. The input parameter to the models used is taken from observable market, and includes consideration of maturity, interest rate, correlation and volatility, etc. The counterparty risk from derivative transactions is taken into account when reporting the fair value of derivative positions.

### 5.7 Provision for post-retirement benefits and pension fund

The Group has a commitment and provision of post-retirement benefits and pension funds for employee. The present value of employee benefit liabilities recognised in the statement of financial position is determined in the present value of estimated future cash outflows for staff. The assumption used in determining the net annual cost for employee benefits includes the salary and years of services of respective employees which are payable in the future and discount rate. Any changes in these assumptions will impact the net annual cost recorded for employee benefit.

## 6 Interbank and money market items, net (assets)

	Consolidated					
	2016			2015		
	On demand Thousand Baht	Term Thousand Baht	Total Thousand Baht	On demand Thousand Baht	Term Thousand Baht	Total Thousand Baht
<b>Domestic</b>						
The Bank of Thailand and FIDF	930,880	-	930,880	857,596	450,000	1,307,596
Commercial Banks	1,416,113	3,125,818	4,541,931	2,607,266	5,475,764	8,083,030
Special purpose financial institutions	910	5,200,000	5,200,910	588	-	588
Other financial institutions	200,000	-	200,000	300,000	-	300,000
Total	2,547,903	8,325,818	10,873,721	3,765,450	5,925,764	9,691,214
<u>Add</u> Accrued interest receivables	-	1,691	1,691	-	1,738	1,738
<u>Less</u> Allowance for doubtful accounts	(2,000)	(1,200)	(3,200)	(8,000)	-	(8,000)
Total Domestic items	2,545,903	8,326,309	10,872,212	3,757,450	5,927,502	9,684,952
<b>Foreign</b>						
US Dollar	482,321	111,971	594,292	114,534	-	114,534
Euro	8,946	-	8,946	20	-	20
Yuan	260	-	260	604	-	604
Other currencies	9,593	-	9,593	1,051	-	1,051
Total	501,120	111,971	613,091	116,209	-	116,209
<u>Add</u> Accrued interest receivables	-	299	299	-	-	-
<u>Less</u> Allowance for doubtful accounts	-	(1,120)	(1,120)	-	-	-
Total foreign items	501,120	111,150	612,270	116,209	-	116,209
<b>Total</b>	<b>3,047,023</b>	<b>8,437,459</b>	<b>11,484,482</b>	<b>3,873,659</b>	<b>5,927,502</b>	<b>9,801,161</b>



	Separate					
	2016			2015		
	On demand Thousand Baht	Term Thousand Baht	Total Thousand Baht	On demand Thousand Baht	Term Thousand Baht	Total Thousand Baht
<b>Domestic</b>						
The Bank of Thailand and FIDF	926,239	-	926,239	847,088	450,000	1,297,088
Commercial Banks	145,571	3,120,000	3,265,571	115,990	5,470,000	5,585,990
Special purpose financial institutions	910	5,200,000	5,200,910	588	-	588
Other financial institutions	3,700,000	-	3,700,000	1,700,000	-	1,700,000
Total	4,772,720	8,320,000	13,092,720	2,663,666	5,920,000	8,583,666
<u>Add</u> Accrued interest receivables	-	1,691	1,691	-	1,738	1,738
<u>Less</u> Allowance for doubtful accounts	(37,000)	(1,200)	(38,200)	(22,000)	-	(22,000)
Total Domestic items	4,735,720	8,320,491	13,056,211	2,641,666	5,921,738	8,563,404
<b>Foreign</b>						
US Dollar	92,765	111,971	204,736	99,147	-	99,147
Euro	8,946	-	8,946	20	-	20
Yuan	260	-	260	604	-	604
Other currencies	9,593	-	9,593	1,051	-	1,051
Total	111,564	111,971	223,535	100,822	-	100,822
<u>Add</u> Accrued interest receivables	-	299	299	-	-	-
<u>Less</u> Allowance for doubtful accounts	-	(1,120)	(1,120)	-	-	-
Total foreign items	111,564	111,150	222,714	100,822	-	100,822
<b>Total</b>	<b>4,847,284</b>	<b>8,431,641</b>	<b>13,278,925</b>	<b>2,742,488</b>	<b>5,921,738</b>	<b>8,664,226</b>

## 7 Derivatives

### 7.1 Derivatives

Derivatives for trading as at 31 December 2016 and 2015 are as follows;

Type Risk	Consolidated					
	2016			2015		
	Fair value		Notional amount Thousand Baht	Fair value		Notional amount Thousand Baht
	Assets Thousand Baht	Liabilities Thousand Baht		Assets Thousand Baht	Liabilities Thousand Baht	
Equity price	1,112,524	1,288,996	174,307,865	1,134,388	1,924,030	130,113,498
Interest rate	197,139	346,909	68,476,602	260,721	305,103	67,760,000
Equity price	42,322	777,178	5,502,286	360,652	270,306	4,595,610
Total	1,351,985	2,413,083	248,286,753	1,755,761	2,499,439	202,469,108

Type Risk	Separate					
	2016			2015		
	Fair value		Notional amount Thousand Baht	Fair value		Notional amount Thousand Baht
	Assets Thousand Baht	Liabilities Thousand Baht		Assets Thousand Baht	Liabilities Thousand Baht	
Equity price	1,112,524	1,299,415	174,891,031	1,161,528	1,924,130	130,113,498
Interest rate	197,139	346,909	68,476,602	260,721	305,103	67,760,000
Equity price	5,348	164,496	2,077,102	279,557	22,722	1,721,187
Total	1,315,011	1,810,820	245,444,735	1,701,806	2,251,955	199,594,685

As at 31 December 2016 and 2015, the proportion, determined based on the notional amount, of derivatives for trading transactions divided by type of counterparty are as follows;

	Consolidated	
	2016 %	2015 %
Financial institutions	95.08	97.72
Third parties	4.92	2.28
Total	100.00	100.00

	Separate	
	2016 %	2015 %
Financial institutions	96.15	98.95
Third parties	3.54	0.86
Subsidiaries	0.31	0.19
Total	100.00	100.00



## 7.2 Derivatives for hedging

Derivatives for hedging as at 31 December 2016 and 2015 are as follows;

Type Risk	Consolidated and Separate					
	2016			2015		
	Fair value		Notional amount Thousand Baht	Fair value		Notional amount Thousand Baht
	Assets Thousand Baht	Liabilities Thousand Baht		Assets Thousand Baht	Liabilities Thousand Baht	
Exchange rate	1,360	86,306	1,936,776	1,204	84,514	1,672,141
<b>Total</b>	<b>1,360</b>	<b>86,306</b>	<b>1,936,776</b>	<b>1,204</b>	<b>84,514</b>	<b>1,672,141</b>

## 8 Investments in securities, net

### 8.1 Classification of investments in securities

As at 31 December 2016 and 2015, the Group classifies their investments in securities as follows;

	Consolidated		Separate	
	Fair value		Fair value	
	2016 Thousand Baht	2015 Thousand Baht	2016 Thousand Baht	2015 Thousand Baht
<b>Trading securities</b>				
Government and state enterprise securities	441,639	359,666	441,639	359,666
Private sector's debt securities	417,936	418,206	417,936	418,206
Domestic marketable equity securities	13,473,147	5,532,917	1,912,429	1,522,294
Foreign marketable equity securities	-	2,313	-	-
<b>Total trading securities</b>	<b>14,332,722</b>	<b>6,313,102</b>	<b>2,772,004</b>	<b>2,300,166</b>

	Consolidated		Separate	
	Fair value		Fair value	
	2016 Thousand Baht	2015 Thousand Baht	2016 Thousand Baht	2015 Thousand Baht
<b>Available-for-sale securities</b>				
Government and state enterprise securities	9,245,168	10,383,212	9,214,925	10,352,438
Domestic marketable equity securities	2,736,980	2,273,626	2,024,820	1,342,236
Foreign marketable equity securities	932,258	283,025	-	-
<b>Total available-for-sale securities</b>	<b>12,914,406</b>	<b>12,939,863</b>	<b>11,239,745</b>	<b>11,694,674</b>

	Consolidated		Separate	
	Amortised cost		Amortised cost	
	2016 Thousand Baht	2015 Thousand Baht	2016 Thousand Baht	2015 Thousand Baht
<b>Held-to-maturity debt securities</b>				
Government and state enterprise securities	1,093,949	1,004,840	1,004,185	1,004,840
<b>Total held-to-maturity debt securities</b>	<b>1,093,949</b>	<b>1,004,840</b>	<b>1,004,185</b>	<b>1,004,840</b>

	Consolidated		Separate	
	cost		cost	
	2016 Thousand Baht	2015 Thousand Baht	2016 Thousand Baht	2015 Thousand Baht
<b>General investments</b>				
Domestic non-marketable equity securities	51,646	59,921	31,199	16,249
<u>Less</u> Allowance for impairment	(27,387)	(27,286)	(2,199)	(2,098)
Total general investments	24,259	32,635	29,000	14,151
<b>Total investments in securities, net</b>	<b>28,365,336</b>	<b>20,290,440</b>	<b>15,044,934</b>	<b>15,013,831</b>

## 8.2 Investments in securities with holdings of 10% upwards

As at 31 December 2016 and 2015, 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 Separate	
	2016	
	Investment amount at cost Baht	Holding %
<u>Other companies</u>		
Rayongrungs Co., Ltd.	14,950,427	24.99
BTMU Leasing (Thailand) Co., Ltd.	3,085,200	10.00

	Consolidated and Separate	
	2015	
	Investment amount at cost Baht	Holding %
<u>Other companies</u>		
BTMU Leasing (Thailand) Co., Ltd.	3,085,200	10.00





## 9 Investments in subsidiaries, net

As at 31 December 2016 and 2015, the Bank has investments in subsidiaries as follows;

	Business type	Securities investment type	Separate				
			2016				Dividend received and profit sharing Thousand Baht
			Cost Thousand Baht	Cost method Impairment Thousand Baht	Net balance Thousand Baht	Holding %	
Phatra Capital PCL.	Holding Company	Ordinary shareholder	7,170,617	-	7,170,617	99.98	1,019,780
Erawan Law Office Co., Ltd.	Law office	Ordinary shareholder	999	-	999	99.96	52,979
Asia Recovery 1 Fund	Investments*	Unit trust	223,687	-	223,687	99.95	15,992
Asia Recovery 2 Fund	Investments*	Unit trust	710,476	(42,004)	668,472	99.59	-
Asia Recovery 3 Fund	Investments*	Unit trust	630,305	(5,989)	624,316	99.97	62,659
Thai Restructuring Fund	Investments*	Unit trust	166,200	-	166,200	98.91	252,223
Asia Recovery Property Fund 3	Investments**	Unit trust	-	-	-	-	3,945
Bangkok Capital Fund	Investments*	Unit trust	1,801,113	(869,052)	932,061	95.72	552,671
Gamma Capital Fund	Investments*	Unit trust	1,219,914	(295,078)	924,836	94.03	572,525
CMIC Development Co., Ltd.	Real estate	Ordinary shareholder	-	-	-	80.58	-
			11,923,311	(1,212,123)	10,711,188		2,532,774

\* Investments in commercial loans auctioned from Financial Restructuring Authority (FRA).

\*\* Investments in receivables or properties and was liquidated

Business type	Securities investment type	Separate					Dividend received and profit sharing Thousand Baht
		2015					
		Cost method			Holding %		
		Cost Thousand Baht	Impairment Thousand Baht	Net balance Thousand Baht			
Holding Company	Ordinary shareholder	7,170,617	-	7,170,617	99.98	504,623	
Law office	Ordinary shareholder	999	-	999	99.96	-	
Investments*	Unit trust	223,687	-	223,687	99.95	81,263	
Investments*	Unit trust	810,062	(120,216)	689,846	99.59		
Investments*	Unit trust	630,305	-	630,305	99.97	95,553	
Investments*	Unit trust	675,591	-	675,591	98.91	49,950	
Investments**	Unit trust	-	-	-	-	30,506	
Investments***	Unit trust	16,724	(12,664)	4,060	98.77	113,931	
Investments*	Unit trust	1,801,113	(579,273)	1,221,840	95.72	1,426,555	
Investments*	Unit trust	1,219,914	(84,088)	1,135,826	94.03	546,202	
Real estate	Ordinary shareholder	-	-	-	80.58	-	
		12,549,012	(796,241)	11,752,771		2,848,583	

Phatra Capital PCL.

Erawan Law Office Co., Ltd.

Asia Recovery 1 Fund

Asia Recovery 2 Fund

Asia Recovery 3 Fund

Thai Restructuring Fund

Asia Recovery Property Fund 1

Asia Recovery Property Fund 3

Bangkok Capital Fund

Gamma Capital Fund

CMIC Development Co., Ltd.

\* Investments in commercial loans auctioned from Financial Restructuring Authority (FRA).

\*\* Investments in receivables, which have properties as collateral and was liquidated

\*\*\* Investments in receivables or properties



### 9.1 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 1 March 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 31 December 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 after obtaining such assets within 31 December 2010, the asset management company 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.

For the year ended 31 December 2015, from the capital reduction of Asia Recovery Property Fund 3, the Bank has received the pay-in-kind properties foreclosed in the amount of Baht 127.66 million and deferred gain from capital reduction in the amount of Baht 12.98 million, which will be recognised when the properties foreclosed are sold.

As at 31 December 2015, the Bank has transferred the rights and ownership of the property foreclosed from the mutual funds.

### 9.2 The liquidation of the capital of the mutual funds

According to the Notifications of the Capital Market Supervisory Board No. Thor Nor. 21/2552 Thor Nor. 22/2552, and Thor Nor. 23/2552: Rules, Conditions and Procedures for Establishment and Management of Mutual Funds for Solving Financial Institutions Problems, it specified that the maturity date of the scheme to be no later than 31 August 2015. Therefore, Asia Recovery Property Fund 1, Asia Recovery Property Fund 3, Asia Recovery Fund 1, Asia Recovery Fund 2, Asia Recovery Fund 3, Thai Restructuring Fund, Bangkok Capital Fund and Gamma Capital Fund are required to be liquidated in accordance with these notifications.

The Asia Recovery Property Fund 3 and the Asia Recovery Property Fund 1 were liquidated on 24 March 2016 and 26 November 2015, respectively. The remaining funds are in the process of liquidation.

During the year of 2016, the Bank has received capital distribution in form of cash in amount of Baht 608.98 million from Asia Recovery Property Fund 2 and Thai Restructuring Fund which are in the process of liquidation.

During the year of 2015, the Bank has received capital distribution for liquidation in form of cash in the amount of Baht 862.74 million from the Asia Recovery Property Fund 1 and Asia Recovery Property Fund 3. In addition, the Bank has received capital distribution for liquidation in form of the pay-in-kind assets in the amount of Baht 203.18 million from the Asia Recovery Fund 2 and the Asia Recovery Fund 3. The right and ownership of those properties foreclosed in amount of Baht 13.09 million is in process of transfer to the Bank.

## 10 Investments in receivables, net

As at 31 December 2016 and 2015, the details of investments in receivables auctioned from the Financial Restructuring Authority ("FRA"), the Legal Execution Department ("LED") and other companies are as follows;

Purchase date	Consolidated and Separate			
	2016			
	Number of debtors	Outstanding balance per original and renewed agreements Thousand Baht	Cost Thousand Baht	Fair value Thousand Baht
<u>Kiatnakin Bank Public Company Limited</u>				
Receivables auctioned from FRA				
30 September 1999	301	2,120,910	159,132	71,419
15 December 1999	147	416,645	4,464	4,925
Receivables purchased				
January 2009 - December 2016	3	110,687	55,349	23,235
Receivables auctioned from LED	1,158	11,677,031	978,418	730,150
	1,609	14,325,273	1,197,363	829,729
<u>Subsidiaries (Fund)</u>	2,651	49,341,659	1,040,694	1,724,057
<b>Total</b>	<b>4,260</b>	<b>63,666,932</b>	<b>2,238,057</b>	<b>2,553,786</b>

Purchase date	Consolidated and Separate			
	2015			
	Number of debtors	Outstanding balance per original and renewed agreements Thousand Baht	Cost Thousand Baht	Fair value Thousand Baht
<u>Kiatnakin Bank Public Company Limited</u>				
Receivables auctioned from FRA				
30 September 1999	304	2,146,575	186,725	79,470
15 December 1999	148	418,288	5,520	6,253
Receivables purchased				
January 2009 - December 2016	3	110,687	64,221	35,943
Receivables auctioned from LED	1,213	11,937,927	1,041,515	780,210
	1,668	14,613,477	1,297,981	901,876
<u>Subsidiaries (Fund)</u>	2,798	51,333,459	1,234,631	1,996,818
<b>Total</b>	<b>4,466</b>	<b>65,946,936</b>	<b>2,532,612</b>	<b>2,898,694</b>



## 11 Investment property, net

	Consolidated	
	2016 Thousand Baht	2015 Thousand Baht
Cost	1,275,507	1,260,352
<u>Less</u> Accumulated depreciation	(424,413)	(416,876)
Net book amount	851,094	843,476
Opening net book amount	843,476	423,468
Additions	47,504	472,073
Write-off	(368)	-
Transferred in (out)	(18,736)	(73,516)
Depreciation	(20,782)	(14,885)
Impairment reversal	-	36,336
Closing net book amount	851,094	843,476
Fair value	1,409,898	1,441,460

The Group's investment properties were revalued at 31 December 2015 by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and categories of the investment properties valued. The fair value of investment properties are based on Income Capitalisation Approach using discounted cash flows from rental income according to the current lease agreement included the future rental income net off with expected cash outflows. The fair values are within level 3 of the fair value hierarchy.

Amounts recognised in profit and loss that are related to investment property are as follows;

	Consolidated	
	2016 Baht	2015 Baht
Rental income	133,809	140,255
Direct operating expense arise from investment property that generated rental income	66,087	62,212

## 12 Loans to customers and accrued interest receivables, net

### 12.1 Classified by product

	Consolidated		Separate	
	2016 Thousand Baht	2015 Thousand Baht	2016 Thousand Baht	2015 Thousand Baht
<u>Loans</u>				
Overdrafts	1,115,428	1,128,163	1,115,428	1,128,163
Loans	56,741,485	54,595,904	58,806,235	57,070,654
Bills	48,836	114,691	48,836	114,691
Hire-purchase receivables	137,731,087	139,456,472	137,731,087	139,456,472
Finance lease receivables	850,994	1,034,177	850,994	1,034,177
Total loans	196,487,830	196,329,407	198,552,580	198,804,157
<u>Less</u> Deferred revenue	(20,133,733)	(18,648,635)	(20,133,733)	(18,648,635)
Total loans net of deferred revenue	176,354,097	177,680,772	178,418,847	180,155,522
<u>Add</u> Accrued interest receivables	922,666	934,947	926,724	940,355
Total loans and accrued interest receivables net of deferred revenue	177,276,763	178,615,719	179,345,571	181,095,877
<u>Less</u> Allowance for doubtful accounts				
1. Minimum allowance per BOT guideline				
- Individual Approach	(2,209,657)	(2,347,412)	(2,220,557)	(2,362,412)
- Collective Approach	(3,625,354)	(3,592,475)	(3,625,354)	(3,592,475)
2. Surplus reserve	(5,129,700)	(3,592,348)	(5,129,700)	(3,592,348)
<u>Less</u> Allowance for troubled debt restructuring	(1,135)	(6,413)	(1,135)	(6,413)
Net loans to customers and accrued interest receivables	166,310,917	169,077,071	168,368,825	171,542,229
<u>Securities business receivables</u>				
Margin accounts	-	277,716	-	-
Other receivables	-	7,099	-	-
Total securities business receivables	-	284,815	-	-
<u>Add</u> Accrued interest receivables	-	1,640	-	-
<u>Less</u> Allowance for doubtful accounts	-	(7,100)	-	-
Net securities business receivables and accrued interest receivables	-	279,355	-	-
Total loans to customers and accrued interest receivables, net	166,310,917	169,356,426	168,368,825	171,542,229

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.



## 12.2 Classified by currency and residence of customers

	Consolidated		Separate	
	2016 Thousand Baht	2015 Thousand Baht	2016 Thousand Baht	2015 Thousand Baht
<b>Domestic</b>				
Baht	172,578,655	174,412,402	174,643,405	176,602,337
<b>Foreign</b>				
Baht	2,017,344	2,017,510	2,017,344	2,017,510
US Dollar	1,758,098	1,535,675	1,758,098	1,535,675
<b>Total loans</b>	<b>176,354,097</b>	<b>177,965,587</b>	<b>178,418,847</b>	<b>180,155,522</b>

### 12.3 Classified by business type and loans classification

	Consolidated						Separate					
	31 December 2016						31 December 2016					
	Normal Thousand Baht	Special mention Thousand Baht	Substandard Thousand Baht	Doubtful Thousand Baht	Doubtful loss Thousand Baht	Total Thousand Baht	Normal Thousand Baht	Special mention Thousand Baht	Substandard Thousand Baht	Doubtful Thousand Baht	Doubtful loss Thousand Baht	Total Thousand Baht
Agriculture and mining	193,277	-	96	8,568	-	201,941	193,277	-	96	8,568	-	201,941
Manufacturing and commerce	9,189,594	188,166	366,795	172,909	450,860	10,368,324	9,189,594	188,166	366,795	172,909	450,860	10,368,324
Property development and construction	18,557,481	2,320,221	1,638,770	538,162	4,203,054	27,257,688	19,532,231	2,320,221	1,638,770	538,162	4,203,054	28,232,438
Public utilities and services	4,746,752	120,568	7,007	1,757	54,195	4,930,279	4,746,752	120,568	7,007	1,757	54,195	4,930,279
Housing loans	3,235,710	57,394	11,326	18,191	45,714	3,368,335	3,235,710	57,394	11,326	18,191	45,714	3,368,335
Hire-purchase loans	103,247,204	12,209,223	1,134,256	827,127	270,310	117,688,120	103,247,204	12,209,223	1,134,256	827,127	270,310	117,688,120
Leasing loans	711,347	7,273	27,188	11,062	21,316	778,186	711,347	7,273	27,188	11,062	21,316	778,186
Others	11,426,266	175,441	101,137	11,087	47,293	11,761,224	12,516,266	175,441	101,137	11,087	47,293	12,851,224
Total loans	151,307,631	15,078,286	3,286,575	1,588,863	5,092,742	176,354,097	153,372,381	15,078,286	3,286,575	1,588,863	5,092,742	178,418,847
Accrued interest receivables	708,941	213,725	-	-	-	922,666	712,999	213,725	-	-	-	926,724
<b>Total</b>	<b>152,016,572</b>	<b>15,292,011</b>	<b>3,286,575</b>	<b>1,588,863</b>	<b>5,092,742</b>	<b>177,276,763</b>	<b>154,085,380</b>	<b>15,292,011</b>	<b>3,286,575</b>	<b>1,588,863</b>	<b>5,092,742</b>	<b>179,345,571</b>





	Consolidated						Separate					
	31 December 2015						31 December 2015					
	Normal Thousand Baht	Special mention Thousand Baht	Substandard Thousand Baht	Doubtful Thousand Baht	Doubtful loss Thousand Baht	Total Thousand Baht	Normal Thousand Baht	Special mention Thousand Baht	Substandard Thousand Baht	Doubtful Thousand Baht	Doubtful loss Thousand Baht	Total Thousand Baht
Agriculture and mining	155,066	208	34	264	3,592	159,164	155,066	208	34	264	3,592	159,164
Manufacturing and commerce	7,359,629	471,889	407,747	182,692	440,601	8,862,558	7,359,629	471,889	407,747	182,692	440,601	8,862,558
Property development and construction	25,483,168	2,434,911	1,785,525	2,008,128	2,256,785	33,968,517	25,483,168	2,434,911	1,785,525	2,008,128	2,256,785	33,968,517
Public utilities and services	6,660,817	91,150	2,949	17,207	52,678	6,824,801	6,660,817	91,150	2,949	17,207	52,678	6,824,801
Housing loans	793,844	18,228	23,802	20,650	44,092	900,616	793,844	18,228	23,802	20,650	44,092	900,616
Hire-purchase loans	103,955,491	14,034,933	1,265,051	1,240,953	414,980	120,911,408	103,955,491	14,034,933	1,265,051	1,240,953	414,980	120,911,408
Leasing loans	890,180	11,074	23,616	8,943	-	933,813	890,180	11,074	23,616	8,943	-	933,813
Others	4,952,178	245,282	127,296	20,080	59,874	5,404,710	7,149,115	245,282	127,296	20,080	52,872	7,594,645
Total loans	150,250,373	17,307,675	3,636,020	3,498,917	3,272,602	177,965,587	152,447,310	17,307,675	3,636,020	3,498,917	3,265,600	180,155,522
Accrued interest receivables	682,645	253,844	-	-	98	936,587	686,511	253,844	-	-	-	940,355
Total	150,933,018	17,561,519	3,636,020	3,498,917	3,272,700	178,902,174	153,133,821	17,561,519	3,636,020	3,498,917	3,265,600	181,095,877

## 12.4 Classification by loans classification

Loans classification	Consolidated			
	2016			
	Loans outstanding and interest receivables Thousand Baht	Net balance used for Allowance Thousand Baht	Rate used for allowance %	Allowance for doubtful accounts Thousand Baht
<b>Normal</b>				
Loans <sup>(1)</sup>	48,276,862	14,392,177	1.00	143,922
Hire-purchase receivables-fleet and car 3x	4,402,222	2,667,242	1.00	26,672
Hire-purchase receivables	99,337,488	98,861,399	1.54	1,520,449
<b>Special mention</b>				
Loans <sup>(1)</sup>	2,897,756	234,877	2.00	4,697
Hire-purchase receivables-fleet and car 3x	156,798	144,311	2.00	2,886
Hire-purchase receivables	12,237,457	12,054,638	11.36	1,369,207
<b>Substandard</b>				
Loans	2,152,319	462,354	100.00	462,354
Hire-purchase receivables-fleet and car 3x	91,423	63,362	100.00	63,362
Hire-purchase receivables	1,042,833	1,042,833	34.61	360,935
<b>Doubtful</b>				
Loans	761,736	228,470	100.00	228,470
Hire-purchase receivables-fleet and car 3x	7,100	7,100	100.00	7,100
Hire-purchase receivables	820,027	820,027	34.54	283,198
<b>Doubtful loss</b>				
Loans	4,822,432	1,270,161	100.00	1,270,161
Hire-purchase receivables-fleet and car 3x	33	33	100.00	33
Hire-purchase receivables	270,277	270,277	33.88	91,565
Total loans and accrued interest receivables	177,276,763	132,519,261		5,835,011
Additional allowance for some doubtful accounts				629,700
General reserve				4,500,000
<b>Total</b>				<b>10,964,711</b>

<sup>(1)</sup> Allowance for doubtful accounts on troubled debt restructured receivables have been wholly presented in allowance for troubled debt restructuring.



Loans classification	Consolidated			
	2015			
	Loans outstanding and interest receivables Thousand Baht	Net balance used for Allowance Thousand Baht	Rate used for allowance %	Allowance for doubtful accounts Thousand Baht
<b>Normal</b>				
Loans <sup>(1)</sup>	46,513,427	12,810,868	1.00	128,108
Hire-purchase receivables-fleet	4,269,013	2,365,844	1.00	23,658
Hire-purchase receivables	100,150,578	99,703,794	1.30	1,293,103
<b>Special mention</b>				
Loans <sup>(1)</sup>	3,331,883	305,905	2.00	6,118
Hire-purchase receivables-fleet	343,794	250,288	2.00	5,006
Hire-purchase receivables	13,885,842	13,695,387	10.20	1,396,628
<b>Substandard</b>				
Loans	2,370,969	626,155	100.00	626,155
Hire-purchase receivables-fleet	42,759	36,237	100.00	36,237
Hire-purchase receivables	1,222,292	1,222,292	31.53	385,359
<b>Doubtful</b>				
Loans	2,257,964	758,528	100.00	758,528
Hire-purchase receivables-fleet	20,896	20,896	100.00	20,896
Hire-purchase receivables	1,220,057	1,220,057	31.79	387,847
<b>Doubtful loss</b>				
Loans	2,857,720	739,176	100.00	739,176
Hire-purchase receivables-fleet	10,629	10,629	100.00	10,629
Hire-purchase receivables	404,351	404,351	32.04	129,539
Total loans and accrued interest receivables	178,902,174	134,170,407		5,946,987
Additional allowance for some doubtful accounts				742,348
General reserve				2,850,000
<b>Total</b>				<b>9,539,335</b>

<sup>1)</sup> Allowance for doubtful accounts on troubled debt restructured receivables have been wholly presented in allowance for troubled debt restructuring.

Loans classification	Separate			
	2016			
	Loans outstanding and interest receivables Thousand Baht	Net balance used for Allowance Thousand Baht	Rate used for allowance %	Allowance for doubtful accounts Thousand Baht
<b>Normal</b>				
Loans <sup>(1)</sup>	50,345,670	15,482,177	1.00	154,822
Hire-purchase receivables-fleet and car 3x	4,402,222	2,667,242	1.00	26,672
Hire-purchase receivables	99,337,488	98,861,399	1.54	1,520,449
<b>Special mention</b>				
Loans <sup>(1)</sup>	2,897,756	234,877	2.00	4,697
Hire-purchase receivables-fleet and car 3x	156,798	144,311	2.00	2,886
Hire-purchase receivables	12,237,457	12,054,638	11.36	1,369,207
<b>Substandard</b>				
Loans	2,152,319	462,354	100.00	462,354
Hire-purchase receivables-fleet and car 3x	91,423	63,362	100.00	63,362
Hire-purchase receivables	1,042,833	1,042,833	34.61	360,935
<b>Doubtful</b>				
Loans	761,736	228,470	100.00	228,470
Hire-purchase receivables-fleet and car 3x	7,100	7,100	100.00	7,100
Hire-purchase receivables	820,027	820,027	34.54	283,198
<b>Doubtful loss</b>				
Loans	4,822,432	1,270,161	100.00	1,270,161
Hire-purchase receivables-fleet and car 3x	33	33	100.00	33
Hire-purchase receivables	270,277	270,277	33.88	91,565
Total loans and accrued interest receivables	179,345,571	133,609,261		5,845,911
Additional allowance for some doubtful accounts				629,700
General reserve				4,500,000
<b>Total</b>				<b>10,975,611</b>

<sup>(1)</sup> Allowance for doubtful accounts on troubled debt restructured receivables have been wholly presented in allowance for troubled debt restructuring.



Loans classification	Separate			
	2015			
	Loans outstanding and interest receivables Thousand Baht	Net balance used for Allowance Thousand Baht	Rate used for allowance %	Allowance for doubtful accounts Thousand Baht
<b>Normal</b>				
Loans <sup>(1)</sup>	48,714,230	14,310,868	1.00	143,109
Hire-purchase receivables-fleet	4,269,013	2,365,844	1.00	23,658
Hire-purchase receivables	100,150,578	99,703,794	1.30	1,293,103
<b>Special mention</b>				
Loans <sup>(1)</sup>	3,331,883	305,905	2.00	6,118
Hire-purchase receivables-fleet	343,794	250,288	2.00	5,006
Hire-purchase receivables	13,885,842	13,695,387	10.20	1,396,627
<b>Substandard</b>				
Loans	2,370,969	626,155	100.00	626,155
Hire-purchase receivables-fleet	42,759	36,237	100.00	36,237
Hire-purchase receivables	1,222,292	1,222,292	31.53	385,359
<b>Doubtful</b>				
Loans	2,257,964	758,528	100.00	758,528
Hire-purchase receivables-fleet	20,896	20,896	100.00	20,896
Hire-purchase receivables	1,220,057	1,220,057	31.79	387,847
<b>Doubtful loss</b>				
Loans	2,850,620	732,076	100.00	732,076
Hire-purchase receivables-fleet	10,629	10,629	100.00	10,629
Hire-purchase receivables	404,351	404,351	32.04	129,539
Total loans and accrued interest receivables	181,095,877	135,663,307		5,954,887
Additional allowance for some doubtful accounts				742,348
General reserve				2,850,000
<b>Total</b>				<b>9,547,235</b>

<sup>(1)</sup> Allowance for doubtful accounts on troubled debt restructured receivables have been wholly presented in allowance for troubled debt restructuring.

## 12.5 Non-performing loans

The Group 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;

	Consolidated		Separate	
	2016 Thousand Baht	2015 Thousand Baht	2016 Thousand Baht	2015 Thousand Baht
Non-performing loans (excluding accrued interest receivables)	9,968,180	10,407,539	9,968,180	10,400,537
Percentage of non-performing loans to total loans (including loans to financial institutions)	5.39	5.66	5.23	5.55
Non-performing loans net of allowance for doubtful accounts (excluding accrued interest receivables)	6,766,736	6,920,672	6,766,736	6,920,672
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)	3.72	3.84	3.61	3.76
Percentage of non-performing loans to the total of each type of loans				
- Loans	13.16	13.18	12.72	12.62
- Hire-purchase receivables	1.90	2.42	1.90	2.42
- Securities and derivative business receivables	-	2.46	-	-

Loans and accrued interest receivables from which recognition of income based on accrual basis has been discontinued are as follows;

	Consolidated			
	2016		2015	
	Principal Thousand Baht	Interest receivables Thousand Baht	Principal Thousand Baht	Interest receivables Thousand Baht
Loans and bills receivables	7,736,487	-	7,479,553	-
Securities business receivables	-	-	7,002	98
Hire-purchase receivables	2,231,693	-	2,920,984	-
Total loans from which recognition of income has been discontinued	9,968,180	-	10,407,539	98

	Separate			
	2016		2015	
	Principal Thousand Baht	Interest receivables Thousand Baht	Principal Thousand Baht	Interest receivables Thousand Baht
Loans and bills receivables	7,736,487	-	7,479,553	-
Hire-purchase receivables	2,231,693	-	2,920,984	-
Total loans from which recognition of income has been discontinued	9,968,180	-	10,400,537	-



### 13 Hire-purchase and finance lease receivables

Receivables of the Group 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.

	Consolidated and Separate			
	2016			
	Amount due under lease agreements			
	Less than 1 year Thousand Baht	Within 1-5 years Thousand Baht	Over 5 years Thousand Baht	Total Thousand Baht
Gross investment in the agreements	4,455,453	95,794,781	38,331,847	138,582,081
<u>Less</u> Unearned income*				(20,115,775)
Present value of minimum lease payment per agreement				118,466,306
<u>Less</u> Allowance for doubtful accounts				(3,785,861)
Hire-purchase and finance lease receivables, net				114,680,445

	Consolidated and Separate			
	2015			
	Amount due under lease agreements			
	Less than 1 year Thousand Baht	Within 1-5 years Thousand Baht	Over 5 years Thousand Baht	Total Thousand Baht
Gross investment in the agreements	3,954,762	106,658,571	29,877,316	140,490,649
<u>Less</u> Unearned income*				(18,645,428)
Present value of minimum lease payment per agreement				121,845,221
<u>Less</u> Allowance for doubtful accounts				(3,760,013)
Hire-purchase and finance lease receivables, net				118,085,208

\* Net of commission and direct expenses incurred at the initiation of hire-purchase.

## 14 Allowance for doubtful accounts

	Consolidated						
	2016						
	Normal Thousand Baht	Special mention Thousand Baht	Substandard Thousand Baht	Doubtful Thousand Baht	Doubtful loss Thousand Baht	General reserve Thousand Baht	Total Thousand Baht
At beginning of year	1,696,744	1,505,626	1,086,998	1,269,411	1,130,556	2,850,000	9,539,335
<u>Add</u> Doubtful accounts (reversal)	161,846	(100,949)	(148,309)	(724,353)	2,452,348	1,650,000	3,290,583
<u>Less</u> Bad debt written-off	-	-	-	-	(1,865,207)	-	(1,865,207)
At end of year	1,858,590	1,404,677	938,689	545,058	1,717,697	4,500,000	10,964,711

	Consolidated						
	2015						
	Normal Thousand Baht	Special mention Thousand Baht	Substandard Thousand Baht	Doubtful Thousand Baht	Doubtful loss Thousand Baht	General reserve Thousand Baht	Total Thousand Baht
At beginning of year	1,287,038	1,504,782	1,291,475	1,237,725	1,140,147	1,850,000	8,311,167
<u>Add</u> Doubtful accounts (reversal)	409,706	844	(204,477)	31,686	2,595,707	1,000,000	3,833,466
<u>Less</u> Bad debt written-off	-	-	-	-	(2,605,298)	-	(2,605,298)
At end of year	1,696,744	1,505,626	1,086,998	1,269,411	1,130,556	2,850,000	9,539,335

	Separate						
	2016						
	Normal Thousand Baht	Special mention Thousand Baht	Substandard Thousand Baht	Doubtful Thousand Baht	Doubtful loss Thousand Baht	General reserve Thousand Baht	Total Thousand Baht
At beginning of year	1,711,744	1,505,626	1,086,998	1,269,411	1,123,456	2,850,000	9,547,235
<u>Add</u> Doubtful accounts (reversal)	157,746	(100,949)	(148,309)	(724,353)	2,459,448	1,650,000	3,293,583
<u>Less</u> Bad debt written-off	-	-	-	-	(1,865,207)	-	(1,865,207)
At end of year	1,869,490	1,404,677	938,689	545,058	1,717,697	4,500,000	10,975,611

	Separate						
	2015						
	Normal Thousand Baht	Special mention Thousand Baht	Substandard Thousand Baht	Doubtful Thousand Baht	Doubtful loss Thousand Baht	General reserve Thousand Baht	Total Thousand Baht
At beginning of year	1,403,718	1,504,782	1,291,475	1,237,725	1,132,873	1,850,000	8,420,573
<u>Add</u> Doubtful accounts (reversal)	308,026	844	(204,477)	31,686	2,595,881	1,000,000	3,731,960
<u>Less</u> Bad debt written-off	-	-	-	-	(2,605,298)	-	(2,605,298)
At end of year	1,711,744	1,505,626	1,086,998	1,269,411	1,123,456	2,850,000	9,547,235





## 15 Troubled debt restructuring

As at 31 December 2016, the Group has outstanding receivables which have been restructured as follows;

	Consolidated and Separate		
	Number of loans	Outstanding balance after restructuring Thousand Baht	Outstanding balance Thousand Baht
Restructured before 2016	63	1,238,482	212,572
Restructured during the year ended 31 December 2016	3	81,061	-

Details of customers whose debts have been restructured during the year ended 31 December 2016 and 2015 compared with the total customers, both in the consolidated and separate financial statements are as follows;

	Consolidated and Separate			
	2016		2015	
	Number of loans	Outstanding balance before restructuring Thousand Baht	Number of loans	Outstanding balance before restructuring Thousand Baht
Restructured debts	3	81,061	5	653,295
Total customers	471,867	178,418,847	463,670	180,155,522

Details of the restructured debts for the year ended 31 December 2016 and 2015, classified into the restructuring methods are as follows;

Restructuring method	Consolidated and Separate					
	2016					
	Number of loans	Outstanding balance		Assets transferred		Loss from restructuring Thousand Baht
		Before restructuring Thousand Baht	After restructuring Thousand Baht	Type of assets	Fair value of assets Thousand Baht	
Transfer of properties	3	81,061	-	Land and building	57,860	2,245
Total	3	81,061	-		57,860	2,245

Restructuring method	Consolidated and Separate					
	2015					
	Number of loans	Outstanding balance		Assets transferred		Loss from restructuring Thousand Baht
		Before restructuring Thousand Baht	After restructuring Thousand Baht	Type of assets	Fair value of assets Thousand Baht	
Transfer of properties	3	562,078	173,154	Condominium	428,391	101,499
Modifications of terms of receivables	2	91,217	77,400	-	-	817
Total	5	653,295	250,554		428,391	102,316

The debts restructured referred to above can be classified by the terms of repayment under the restructuring agreements as follows;

Period of debts restructuring contracts	Consolidated and Separate					
	2016			2015		
	Number of debtors	Outstanding balance		Number of debtors	Assets transferred	
		Before restructuring Thousand Baht	After restructuring Thousand Baht		Before restructuring Thousand Baht	After restructuring Thousand Baht
0 - 1 month	-	-	-	-	-	-
More than 1 month - 3 months	-	-	-	-	-	-
More than 3 months - 6 months	-	-	-	-	-	-
More than 6 months - 12 months	-	-	-	-	-	-
More than 12 months	1	90,671	39,418	1	90,671	39,418
Total	1	90,671	39,418	1	90,671	39,418

Supplemental information relating to the restructured debts for the years ended 31 December 2016 and 2015 are as follows;

	Consolidated and Separate	
	2016 Thousand Baht	2015 Thousand Baht
Loss on debt restructuring	2,245	102,316
Interest income	10,495	39,889



## 16 Allowance for troubled debt restructuring

	Consolidated and Separate	
	2016 Thousand Baht	2015 Thousand Baht
At beginning of year	6,413	9,963
<u>Less</u> Decreased during year	(5,278)	(3,550)
At end of year	1,135	6,413

## 17 Properties foreclosed, net

	Consolidated		Separate	
	2016 Thousand Baht	2015 Thousand Baht	2016 Thousand Baht	2015 Thousand Baht
Properties foreclosed	5,214,436	6,058,531	6,344,887	7,539,664
<u>Less</u> Provision for diminution in value	(1,486,052)	(1,460,153)	(1,474,184)	(1,433,177)
Net properties foreclosed	3,728,384	4,598,378	4,870,703	6,106,487

The Group acquired properties foreclosed by transferring assets, auction and repossession for the debt settlement.

	Consolidated		
	2016		
	Immovable assets Thousand Baht	Movable assets Thousand Baht	Total Thousand Baht
At beginning of year	5,816,774	241,757	6,058,531
Additions	542,910	3,462,192	4,005,102
Disposals	(1,537,756)	(3,311,441)	(4,849,197)
At end of year	4,821,928	392,508	5,214,436
<u>Less</u> Provision for diminution in value	(1,362,810)	(123,242)	(1,486,052)
Net properties foreclosed	3,459,118	269,266	3,728,384

	Consolidated		
	2015		
	Immovable assets Thousand Baht	Movable assets Thousand Baht	Total Thousand Baht
At beginning of year	4,482,616	220,953	4,703,569
Additions	2,048,706	3,987,642	6,036,348
Disposals	(714,548)	(3,966,838)	(4,681,386)
At end of year	5,816,774	241,757	6,058,531
<u>Less</u> Provision for diminution in value	(1,383,669)	(76,484)	(1,460,153)
Net properties foreclosed	4,433,105	165,273	4,598,378

	Separate		
	2016		
	Immovable assets Thousand Baht	Movable assets Thousand Baht	Total Thousand Baht
At beginning of year	7,297,907	241,757	7,539,664
Additions	684,466	3,462,192	4,146,658
Disposals	(2,029,994)	(3,311,441)	(5,341,435)
At end of year	5,952,379	392,508	6,344,887
Less Provision for diminution in value	(1,350,942)	(123,242)	(1,474,184)
Net properties foreclosed	4,601,437	269,266	4,870,703

	Separate		
	2015		
	Immovable assets Thousand Baht	Movable assets Thousand Baht	Total Thousand Baht
At beginning of year	4,292,626	220,953	4,513,579
Additions	3,836,252	3,987,642	7,823,894
Disposals	(830,971)	(3,966,838)	(4,797,809)
At end of year	7,297,907	241,757	7,539,664
Less Provision for diminution in value	(1,356,693)	(76,484)	(1,433,177)
Net properties foreclosed	5,941,214	165,273	6,106,487

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 31 December 2016 and 2015 are as follows;

	Consolidated		Separate	
	2016 Thousand Baht	2015 Thousand Baht	2016 Thousand Baht	2015 Thousand Baht
Less than 2 months	-	5,773	-	5,773
2 - 12 months	-	-	-	-
Total	-	5,773	-	5,773

Immovable properties foreclosed classified by external and internal appraisers as at 31 December 2016 and 2015 are as follows;

	Consolidated		Separate	
	2016 Thousand Baht	2015 Thousand Baht	2016 Thousand Baht	2015 Thousand Baht
Immovable properties foreclosed				
Appraised by external appraisers	4,740,772	5,286,534	5,871,372	6,768,306
Appraised by internal appraisers	81,156	530,240	81,007	529,601
Total	4,821,928	5,816,774	5,952,379	7,297,907



## 18 Land, premises and equipment, net

	Consolidated								
	2016								
	Cost				Accumulated depreciation				Land, Premises and Equipment, net Thousand Baht
	Beginning Balance Thousand Baht	Additions Thousand Baht	Disposals / Transfers Thousand Baht	Ending Balance Thousand Baht	Beginning Balance Thousand Baht	Additions Thousand Baht	Disposals / Transfers Thousand Baht	Ending Balance Thousand Baht	
Land	339,380	4,924	-	344,304	-	-	-	-	344,304
Premises and building and improvement	1,843,328	73,847	(911)	1,916,264	(836,105)	(78,563)	501	(914,167)	1,002,097
Equipment	1,427,543	257,826	(304,607)	1,380,762	(1,181,007)	(119,104)	284,753	(1,015,358)	365,404
Furniture and fixtures	791,358	197,469	(109,632)	879,195	(625,379)	(68,472)	100,405	(593,446)	285,749
Vehicles	366,561	21,504	(49,740)	338,325	(244,246)	(49,003)	43,743	(249,506)	88,819
Work in progress	10,829	202,486	(207,889)	5,426	-	-	-	-	5,426
<b>Total</b>	<b>4,778,999</b>	<b>758,056</b>	<b>(672,779)</b>	<b>4,864,276</b>	<b>(2,886,737)</b>	<b>(315,142)</b>	<b>429,402</b>	<b>(2,772,477)</b>	<b>2,091,799</b>

	Consolidated								
	2015								
	Cost				Accumulated depreciation				Land, Premises and Equipment, net Thousand Baht
	Beginning Balance Thousand Baht	Additions Thousand Baht	Disposals / Transfers Thousand Baht	Ending Balance Thousand Baht	Beginning Balance Thousand Baht	Additions Thousand Baht	Disposals / Transfers Thousand Baht	Ending Balance Thousand Baht	
Land	150,442	188,938	-	339,380	-	-	-	-	339,380
Premises and building and improvement	1,506,178	337,150	-	1,843,328	(779,915)	(56,830)	640	(836,105)	1,007,223
Equipment	1,440,540	79,178	(92,175)	1,427,543	(1,133,889)	(136,316)	89,198	(1,181,007)	246,536
Furniture and fixtures	861,209	116,998	(186,849)	791,358	(719,263)	(68,413)	162,297	(625,379)	165,979
Vehicles	346,374	61,772	(41,585)	366,561	(229,914)	(54,218)	39,886	(244,246)	122,315
Work in progress	3,550	80,042	(72,763)	10,829	-	-	-	-	10,829
<b>Total</b>	<b>4,308,293</b>	<b>864,078</b>	<b>(393,372)</b>	<b>4,778,999</b>	<b>(2,862,981)</b>	<b>(315,777)</b>	<b>292,021</b>	<b>(2,886,737)</b>	<b>1,892,262</b>

Separate									
2016									
	Cost				Accumulated depreciation				Land, Premises and Equipment, net Thousand Baht
	Beginning Balance Thousand Baht	Additions Thousand Baht	Disposals / Transfers Thousand Baht	Ending Balance Thousand Baht	Beginning Balance Thousand Baht	Additions Thousand Baht	Disposals / Transfers Thousand Baht	Ending Balance Thousand Baht	
Land	94,968	-	-	94,968	-	-	-	-	94,968
Premises and building Equipment	76,552	-	-	76,552	(51,494)	(2,446)	-	(53,940)	22,612
Equipment	929,427	223,232	(27,130)	1,125,529	(760,179)	(84,419)	26,544	(818,054)	307,475
Furniture and fixtures	651,186	183,598	(37,684)	797,100	(516,490)	(55,661)	36,081	(536,070)	261,030
Vehicles	331,691	21,504	(37,294)	315,901	(222,979)	(45,080)	34,976	(233,083)	82,818
Work in progress	9,040	188,794	(192,563)	5,271	-	-	-	-	5,271
Total	2,092,864	617,128	(294,671)	2,415,321	(1,551,142)	(187,606)	97,601	(1,641,147)	774,174

Separate									
2015									
	Cost				Accumulated depreciation				Land, Premises and Equipment, net Thousand Baht
	Beginning Balance Thousand Baht	Additions Thousand Baht	Disposals / Transfers Thousand Baht	Ending Balance Thousand Baht	Beginning Balance Thousand Baht	Additions Thousand Baht	Disposals / Transfers Thousand Baht	Ending Balance Thousand Baht	
Land	94,968	-	-	94,968	-	-	-	-	94,968
Premises and building Equipment	76,552	-	-	76,552	(48,359)	(3,135)	-	(51,494)	25,058
Equipment	967,666	46,299	(84,538)	929,427	(756,438)	(85,472)	81,731	(760,179)	169,248
Furniture and fixtures	729,367	103,459	(181,640)	651,186	(617,976)	(57,373)	158,859	(516,490)	134,696
Vehicles	310,439	52,716	(31,464)	331,691	(202,924)	(49,821)	29,766	(222,979)	108,712
Work in progress	1,248	71,780	(63,988)	9,040	-	-	-	-	9,040
Total	2,180,240	274,254	(361,630)	2,092,864	(1,625,697)	(195,801)	270,356	(1,551,142)	541,722



## 19 Other intangible assets, net and goodwill

### 19.1 Other intangible assets, net

	Consolidated								
	2016								
	Cost				Accumulated depreciation				Other Intangible Assets, net Thousand Baht
	Beginning Balance Thousand Baht	Additions Thousand Baht	Disposals / Transfers Thousand Baht	Ending Balance Thousand Baht	Beginning Balance Thousand Baht	Additions Thousand Baht	Disposals / Transfers Thousand Baht	Ending Balance Thousand Baht	
Software	1,241,062	170,070	(54,291)	1,356,841	(748,717)	(97,288)	46,380	(799,625)	557,216
License fee	7,418	-	(6,918)	500	(1,740)	(51)	1,462	(329)	171
Work in progress	186,941	91,293	(101,897)	176,337	-	-	-	-	176,337
Total	1,435,421	261,363	(163,106)	1,533,678	(750,457)	(97,339)	47,842	(799,954)	733,724

	Consolidated								
	2015								
	Cost				Accumulated depreciation				Other Intangible Assets, net Thousand Baht
	Beginning Balance Thousand Baht	Additions Thousand Baht	Disposals / Transfers Thousand Baht	Ending Balance Thousand Baht	Beginning Balance Thousand Baht	Additions Thousand Baht	Disposals / Transfers Thousand Baht	Ending Balance Thousand Baht	
Software	1,065,978	175,396	(312)	1,241,062	(662,618)	(86,731)	632	(748,717)	492,345
License fee	7,168	630	(380)	7,418	(1,691)	(49)	-	(1,740)	5,678
Work in progress	132,298	165,353	(110,710)	186,941	-	-	-	-	186,941
Total	1,205,444	341,379	(111,402)	1,435,421	(664,309)	(86,780)	632	(750,457)	684,964

	Separate								
	2016								
	Cost				Accumulated depreciation				Other Intangible Assets, net Thousand Baht
	Beginning Balance Thousand Baht	Additions Thousand Baht	Disposals / Transfers Thousand Baht	Ending Balance Thousand Baht	Beginning Balance Thousand Baht	Additions Thousand Baht	Disposals / Transfers Thousand Baht	Ending Balance Thousand Baht	
Software	918,798	138,430	-	1,057,228	(484,120)	(73,810)	-	(557,930)	499,298
Work in progress	182,657	79,646	(93,691)	168,612	-	-	-	-	168,612
Total	1,101,455	218,076	(93,691)	1,225,840	(484,120)	(73,810)	-	(557,930)	667,910

	Separate								
	2015								
	Cost				Accumulated depreciation				Other Intangible Assets, net Thousand Baht
	Beginning Balance Thousand Baht	Additions Thousand Baht	Disposals / Transfers Thousand Baht	Ending Balance Thousand Baht	Beginning Balance Thousand Baht	Additions Thousand Baht	Disposals / Transfers Thousand Baht	Ending Balance Thousand Baht	
Software	789,025	129,773	-	918,798	(420,915)	(63,205)	-	(484,120)	434,678
Work in progress	117,807	150,311	(85,461)	182,657	-	-	-	-	182,657
<b>Total</b>	<b>906,832</b>	<b>280,084</b>	<b>(85,461)</b>	<b>1,101,455</b>	<b>(420,915)</b>	<b>(63,205)</b>	<b>-</b>	<b>(484,120)</b>	<b>617,335</b>

## 19.2 Goodwill

	Consolidated			
	2016			
	Cost			
	Beginning Balance Thousand Baht	Additions Thousand Baht	Disposals / Transfers Thousand Baht	Ending Balance Thousand Baht
Goodwill	3,066,035	-	-	3,066,035
<b>Total</b>	<b>3,066,035</b>	<b>-</b>	<b>-</b>	<b>3,066,035</b>

	Consolidated			
	2015			
	Cost			
	Beginning Balance Thousand Baht	Additions Thousand Baht	Disposals / Transfers Thousand Baht	Ending Balance Thousand Baht
Goodwill	3,066,035	-	-	3,066,035
<b>Total</b>	<b>3,066,035</b>	<b>-</b>	<b>-</b>	<b>3,066,035</b>

Goodwill arised from the Capital Market segment which was identified as the cash-generating unit (CGU).

The recoverable amount of this CGU is determined by the Dividend Discount Model. This calculation used the dividend received projection based on financial budgets covering a ten-year period which are referred from the past operating results together with the estimated growth rates of market and the subsidiaries which management believes that ten years period can reflect their business plan. Dividend beyond the ten-year extrapolation uses the estimated dividend growth rate of 4% (31 December 2015: 4%) and the discount rate of 12% per annum (31 December 2015: 12%).

The recoverable amount using this Dividend Discount Model is greater than the book value amount of million 724 baht (31 December 2015: Baht 598 million). A reduction in dividend growth rate to 2.90% (31 December 2015: 3.17%) or a rise in discount rate to 12.60% (31 December 2015: 12.47%) would remove the remaining headroom.





## 20 Deferred income tax, net

Deferred tax assets and deferred tax liabilities as at 31 December 2016 and 2015 are as follows;

	Consolidated		Separate	
	2016 Thousand Baht	2015 Thousand Baht	2016 Thousand Baht	2015 Thousand Baht
Deferred tax assets	1,680,935	1,444,770	1,673,658	1,389,447
Deferred tax liabilities	(54,614)	(108,789)	-	-
<b>Deferred income tax, net</b>	<b>1,626,321</b>	<b>1,335,981</b>	<b>1,673,658</b>	<b>1,389,447</b>

Movements in deferred tax assets and deferred tax liabilities during the year were as follows;

	Consolidated				
	Balance as at 1 January 2016 Thousand Baht	Items as recognised into profit or loss Thousand Baht	Items as recognised into other comprehensive income Thousand Baht	Subsidiary for sale Thousand Baht	Balance as at 31 December 2016 Thousand Baht
<b>Deferred tax assets</b>					
Allowance for doubtful accounts	578,475	328,558	-	(1,749)	905,284
Allowance for impairment of investments	262,909	78,649	-	-	341,558
Allowance for impairment of properties foreclosed	288,490	7,998	-	-	296,488
Provisions	203,538	29,627	(1,153)	(4,912)	227,100
Income received in advance	216,495	(33,172)	-	-	183,323
Non-accrued interest income	59,760	729	-	-	60,489
Depreciation of assets	918	(573)	-	-	345
Loss on remeasuring available-for-sale securities	5,593	(9)	(5,544)	-	40
Unrealised loss on remeasuring trading securities	40,193	(40,193)	-	-	-
Unrealised loss on remeasuring derivatives	-	19,694	-	-	19,694
Unused tax losses	33,034	(33,034)	-	-	-
Others	125,927	(7,832)	-	-	118,095
<b>Total</b>	<b>1,815,332</b>	<b>350,442</b>	<b>(6,697)</b>	<b>(6,661)</b>	<b>2,152,416</b>
<b>Deferred tax liabilities</b>					
Premise appraisal surplus	30,804	(3,455)	-	-	27,349
Prepaid hire-purchase commission	267,352	3,295	-	-	270,647
Gain on remeasuring available-for-sale securities	75,732	(25,481)	61,395	-	111,646
Unrealised gain on remeasuring trading securities	6,693	95,712	-	-	102,405
Unrealised gain on remeasuring securities borrowing and lending	82,124	(79,615)	-	-	2,509
Unrealised gain on remeasuring derivatives	13,473	(13,473)	-	-	-
Others	3,173	8,366	-	-	11,539
<b>Total</b>	<b>479,351</b>	<b>(14,651)</b>	<b>61,395</b>	<b>-</b>	<b>526,095</b>
<b>Deferred income tax, net</b>	<b>1,335,981</b>	<b>365,093</b>	<b>(68,092)</b>	<b>(6,661)</b>	<b>1,626,321</b>

	Consolidated			
	Balance as at 1 January 2015 Thousand Baht	Items as recognised into profit or loss Thousand Baht	Items as recognised into other comprehensive income Thousand Baht	Balance as at 31 December 2015 Thousand Baht
<b>Deferred tax assets</b>				
Allowance for doubtful accounts	378,259	200,216	-	578,475
Allowance for impairment of investments	228,386	34,523	-	262,909
Allowance for impairment of properties foreclosed	200,743	87,747	-	288,490
Provisions	194,539	6,310	2,689	203,538
Income received in advance	227,772	(11,277)	-	216,495
Non-accrued interest income	54,983	4,777	-	59,760
Depreciation of assets	1,823	(905)	-	918
Loss on remeasuring available-for-sale securities	43	-	5,550	5,593
Unrealised loss on remeasuring trading securities	-	40,193	-	40,193
Unused tax losses	-	33,034	-	33,034
Others	35,397	90,530	-	125,927
<b>Total</b>	<b>1,321,945</b>	<b>485,148</b>	<b>8,239</b>	<b>1,815,332</b>
<b>Deferred tax liabilities</b>				
Premise appraisal surplus	34,250	(3,446)	-	30,804
Prepaid hire-purchase commission	285,557	(18,205)	-	267,352
Gain on remeasuring available-for-sale securities	93,777	-	(18,045)	75,732
Unrealised gain on remeasuring trading securities	8,094	(1,401)	-	6,693
Unrealised gain on remeasuring securities borrowing and lending	8,678	73,446	-	82,124
Unrealised gain on remeasuring derivatives	25,380	(11,907)	-	13,473
Others	2,800	373	-	3,173
<b>Total</b>	<b>458,536</b>	<b>38,860</b>	<b>(18,045)</b>	<b>479,351</b>
<b>Deferred income tax, net</b>	<b>863,409</b>	<b>446,288</b>	<b>26,284</b>	<b>1,335,981</b>



	Separate		
	Balance as at 1 January 2016 Thousand Baht	Items as recognised into profit or loss Thousand Baht	Items as recognised into other comprehensive income Thousand Baht
<b>Deferred tax assets</b>			
Allowance for doubtful accounts	576,726	328,558	-
Allowance for impairment of investments	261,443	78,649	-
Allowance for impairment of properties foreclosed	286,636	8,201	-
Provisions	172,388	28,069	-
Income received in advance	211,762	(32,017)	-
Non-accrued interest income	59,760	729	-
Others	163,731	(47,832)	-
Total	1,732,446	364,357	-
<b>Deferred tax liabilities</b>			
Prepaid hire-purchase commission	267,352	3,295	-
Gain on remeasuring available-for- sale securities	75,647	-	28,679
Others	-	48,172	-
Total	342,999	51,467	28,679
<b>Deferred income tax, net</b>	<b>1,389,447</b>	<b>312,890</b>	<b>(28,679)</b>

	Separate		
	Balance as at 1 January 2015 Thousand Baht	Items as recognised into profit or loss Thousand Baht	Items as recognised into other comprehensive income Thousand Baht
<b>Deferred tax assets</b>			
Allowance for doubtful accounts	376,510	200,216	-
Allowance for impairment of investments	226,920	34,523	-
Allowance for impairment of properties foreclosed	198,685	87,951	-
Provisions	169,340	1,517	1,531
Income received in advance	220,993	(9,231)	-
Non-accrued interest income	54,983	4,777	-
Others	32,816	130,915	-
Total	1,280,247	450,668	1,531
<b>Deferred tax liabilities</b>			
Prepaid hire-purchase commission	285,557	(18,205)	-
Gain on remeasuring available-for- sale securities	64,849	-	10,798
Others	442	(442)	-
Total	350,828	(18,627)	10,798
<b>Deferred income tax, net</b>	<b>929,419</b>	<b>469,295</b>	<b>(9,276)</b>

## 21 Other assets, net

	Consolidated		Separate	
	2016 Thousand Baht	2015 Thousand Baht	2016 Thousand Baht	2015 Thousand Baht
Interest and dividend income receivables	130,251	118,848	106,283	105,048
Other income receivables*	168,747	38,602	14,963	10,721
Prepaid expenses and deferred expenses	160,445	82,581	126,867	56,853
Prepaid output tax for hire-purchase receivables*	89,877	98,186	89,877	98,186
Other receivables, net*	833,283	1,975,138	651,940	1,417,195
Receivables from trading securities	133,369	-	133,369	-
Refundable deposit	220,063	197,034	101,824	92,265
Withholding income tax	11,153	15,952	-	-
Input VAT - pending tax invoice	285,513	320,960	285,173	320,944
Prepayment for leasehold right	49,683	2,901	66,877	24,860
Others*	75,243	134,254	31,609	82,027
<b>Total other assets</b>	<b>2,157,627</b>	<b>2,984,456</b>	<b>1,608,782</b>	<b>2,208,099</b>

\* As at 31 December 2016 these transactions are shown net of total doubtful accounts of Baht 21.87 million and Baht 21.87 million in the consolidated and the separate financial statements, respectively. (2015: Baht 38.73 million and Baht 29.99 million in the consolidated and the separate financial statements, respectively).

## 22 Deposits

### 22.1 Classified by type of deposit

	Consolidated		Separate	
	2016 Thousand Baht	2015 Thousand Baht	2016 Thousand Baht	2015 Thousand Baht
Current accounts	397,636	349,549	652,232	738,466
Savings accounts	58,626,581	52,524,864	58,658,098	52,589,918
Term deposits	50,094,639	50,802,178	50,094,639	50,802,178
NCD	804,063	650,308	804,063	650,308
<b>Total</b>	<b>109,922,919</b>	<b>104,326,899</b>	<b>110,209,032</b>	<b>104,780,870</b>



## 22.2 Classified by currency and residence of depositors

	Consolidated					
	2016			2015		
	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht
Thai Baht	109,441,065	481,854	109,922,919	103,796,982	529,917	104,326,899
<b>Total</b>	<b>109,441,065</b>	<b>481,854</b>	<b>109,922,919</b>	<b>103,796,982</b>	<b>529,917</b>	<b>104,326,899</b>

	Separate					
	2016			2015		
	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht
Thai Baht	109,727,178	481,854	110,209,032	104,250,953	529,917	104,780,870
<b>Total</b>	<b>109,727,178</b>	<b>481,854</b>	<b>110,209,032</b>	<b>104,250,953</b>	<b>529,917</b>	<b>104,780,870</b>

## 23 Interbank and money market items, net (liabilities)

	Consolidated					
	2016			2015		
	On demand Thousand Baht	Term Thousand Baht	Total Thousand Baht	On demand Thousand Baht	Term Thousand Baht	Total Thousand Baht
<b>Domestic</b>						
Bank of Thailand and Financial Institution Development Fund	-	242,376	242,376	-	394,444	394,444
Commercial banks	379,681	1,950,000	2,329,681	283,870	1,950,000	2,233,870
Specific Financial Institution	-	4,495,436	4,495,436	-	4,953,270	4,953,270
Other financial institutions	141,097	1,151,061	1,292,158	122,380	1,505,477	1,627,857
<b>Total</b>	<b>520,778</b>	<b>7,838,873</b>	<b>8,359,651</b>	<b>406,250</b>	<b>8,803,191</b>	<b>9,209,441</b>

	Separate					
	2016			2015		
	On demand Thousand Baht	Term Thousand Baht	Total Thousand Baht	On demand Thousand Baht	Term Thousand Baht	Total Thousand Baht
<b>Domestic</b>						
Bank of Thailand and Financial Institution Development Fund	-	242,376	242,376	-	394,444	394,444
Commercial banks	9,681	1,950,000	1,959,681	13,870	1,950,000	1,963,870
Specific Financial Institution	-	4,495,436	4,495,436	-	4,953,270	4,953,270
Other financial institutions	151,637	1,151,061	1,302,698	157,722	1,648,716	1,806,438
<b>Total</b>	<b>161,318</b>	<b>7,838,873</b>	<b>8,000,191</b>	<b>171,592</b>	<b>8,946,430</b>	<b>9,118,022</b>

## 24 Debt issued and borrowings

	Currency	Interest rate %	Maturity	Consolidated	
				2016	2015
Senior securities	THB	1.60 – 5.10	2017 - 2018	46,548,000	56,168,000
Subordinated bond	THB	3.80 – 5.10	2026	6,000,000	3,000,000
Bills of exchange	THB	3.65	2017	90,000	257,078
Structured debentures not designated at fair value	THB	1.50 and linked to equity or set index price	2017	3,416,619	1,659,838
<b>Total</b>				<b>56,054,619</b>	<b>61,084,916</b>

	Currency	Interest rate %	Maturity	Separate	
				2016	2015
Senior securities	THB	1.60 – 5.10	2017 - 2018	46,548,000	56,168,000
Subordinated bond	THB	3.80 – 5.10	2026	6,000,000	3,000,000
Bills of exchange	THB	3.65	2017	90,000	257,078
Structured debentures not designated at fair value	THB	1.50 and linked to equity or set index price	2017	308,967	-
<b>Total</b>				<b>52,946,967</b>	<b>59,425,078</b>

## 25 Provisions

	Consolidated		Separate	
	2016 Thousand Baht	2015 Thousand Baht	2016 Thousand Baht	2015 Thousand Baht
Post-employment benefits obligation	438,785	399,403	302,143	243,102
Other	129,038	42,470	129,038	41,791
<b>Total</b>	<b>567,823</b>	<b>441,873</b>	<b>431,181</b>	<b>284,893</b>

### Post-employment benefits obligation

The Group has post-employment benefits plan under the Thai Labor Protection Act, which is considered as unfunded defined benefit plans.

Amounts recognised in the statements of profit or loss and other comprehensive income in respect of the defined benefit plans for the years ended 31 December 2016 and 2015 are as follows;

	Consolidated		Separate	
	2016 Thousand Baht	2015 Thousand Baht	2016 Thousand Baht	2015 Thousand Baht
Current service cost	56,556	49,921	41,489	34,710
Interest cost	10,590	12,909	6,820	8,596
<b>Total</b>	<b>67,146</b>	<b>62,830</b>	<b>48,309</b>	<b>43,306</b>



Movements in the present value of the defined benefit obligation for the years ended 31 December 2016 and 2015 are as follows;

	Consolidated		Separate	
	2016 Thousand Baht	2015 Thousand Baht	2016 Thousand Baht	2015 Thousand Baht
Beginning defined benefit obligation	399,403	327,444	243,102	195,967
Current service cost	56,556	49,921	41,489	34,710
Interest cost	10,590	12,909	6,820	8,596
Defined benefit obligation transferred from subsidiary company	-	-	10,732	-
Subsidiary for sale	(24,560)	-	-	-
Remeasurements :				
Gain from change in demographic assumptions	-	(14,590)	-	(7,763)
Loss from change in financial assumptions	-	16,472	-	5,082
Experience gain	(313)	14,714	-	10,334
Benefits paid	(2,891)	(7,467)	-	(3,824)
Ending defined benefit obligation	438,785	399,403	302,143	243,102

The principal actuarial assumptions used to calculate the obligation under the defined benefit plans as at 31 December 2016 and 2015 are as follows;

	2016	2015
Financial assumptions		
Discount rate	2.7% - 2.9%	2.7% - 2.9%
Expected rate of salary increase	3.0% - 8.0%	3.0% - 8.0%
Turnover rate	0.0% - 25.0%	0.0% - 25.0%
Retirement age	55 years and 60 years	55 years and 60 years

Sensitivity analysis on key assumption changes are as follows;

	Consolidated		Separate	
	2016 Thousand Baht	2015 Thousand Baht	2016 Thousand Baht	2015 Thousand Baht
Discount rate -1.0%	470,826	430,781	323,977	262,253
Discount rate (base)	438,785	399,403	302,143	243,102
Discount rate +1.0%	410,592	371,197	282,956	226,298
Expected rate of salary increase -1.0%	407,156	371,359	280,718	226,428
Expected rate of salary increase (base)	438,785	399,403	302,143	243,102
Expected rate of salary increase +1.0%	474,116	429,924	326,103	261,692
Turnover rate -20.0%	473,406	429,668	329,283	263,865
Turnover rate (base)	438,785	399,403	302,143	243,102
Turnover rate +20.0%	410,639	373,987	280,477	226,437

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the post-employment benefits liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

#### Maturity profile of defined benefit obligation

	Consolidated		Separate	
	2016 Thousand Baht	2015 Thousand Baht	2016 Thousand Baht	2015 Thousand Baht
Maturity duration of the post-employment benefits (Years)	12 - 13	10 - 12	12	12
Maturity analysis of benefits expected to be paid				
Benefits expected to be paid within 12 months	37,258	34,324	31,207	31,207
Benefits expected to be paid between 1 and 2 years	57,515	41,360	34,808	34,808
Benefits expected to be paid between 2 and 5 years	109,806	122,956	78,838	78,838
Benefits expected to be paid in more than 5 years	1,032,963	1,096,759	738,615	738,615

On 29 June 2015, the Bank was sued by a company for damages resulting from a counterfeit letter of guarantee. On 28 June 2016, the civil court ruled that the Bank should pay the plaintiff damages amounting to Baht 99,247,704 plus interest of 7.5% per annum, not exceeding Baht 693,374. Subsequently, the Bank has added a provision into financial statements equal to the amount ruled by the court. However, the Bank is still in the process of filing an appeal to dispute the ruling.

## 26 Other accounts payable

	Consolidated		Separate	
	2016 Thousand Baht	2015 Thousand Baht	2016 Thousand Baht	2015 Thousand Baht
Margin payables	41,800	33,562	41,800	33,562
Insurance premium payables	484,798	557,806	484,798	557,806
Dealer payables	765,098	550,328	765,098	550,328
Other refund payables to customers	11,286	11,080	11,286	11,080
Securities payables	65,017	-	60,039	-
Others	508,182	708,980	424,676	603,854
<b>Total</b>	<b>1,876,181</b>	<b>1,861,756</b>	<b>1,787,697</b>	<b>1,756,630</b>





## 27 Legal Execution Department payable

As at 31 December 2016 and 2015, the Bank had an outstanding principal payable to the Legal Execution Department in the amount of Baht 575.38 million in accordance with the order of the Central Bankruptcy Court dated 16 November 2010 which resulted from the breach of contract for bidding a secured property in a bankruptcy case of a Bank's debtor in which the Legal Execution Department demanded for the different amount between the first and final bidding. On 17 January 2014, the Bank has placed with the official receiver a government bond of Baht 575,380,000 together with a letter of acknowledgement of debt, according to the resolution of the meeting of the creditors committee on 6 November 2013. Subsequently, the Bank filed the petition with the official receiver requesting for preferential right over such amount since the Bank is a secured creditor over such secured property. In which the Central Bankruptcy Court dismissed the petition of the Bank. On 18 September 2015, the Bank filed the petition to the Supreme Court and was approved for the petition. Presently, such order is under the consideration of the Supreme Court.

## 28 Other liabilities

	Consolidated		Separate	
	2016 Thousand Baht	2015 Thousand Baht	2016 Thousand Baht	2015 Thousand Baht
Accrued bonus	1,346,270	1,056,014	825,000	562,765
Accrued expenses	735,786	916,264	579,360	726,459
Front-end fees	248,337	350,038	261,227	363,460
Other income received in advance	1,908,668	2,093,409	2,004,228	2,241,344
Deposits	235,383	255,135	235,383	255,136
Suspense accounts cash received from customers	34,433	61,293	34,433	61,199
Value added tax payable	180,338	219,168	168,437	198,721
Others	83,799	122,905	33,843	68,650
<b>Total other liabilities</b>	<b>4,773,014</b>	<b>5,074,226</b>	<b>4,141,911</b>	<b>4,477,734</b>

## 29 Share capital

Details of warrant holders exercising their rights during the year ended 31 December 2015 are as follows:

The 580,100 unit of warrants were converted into 580,100 ordinary shares. The Bank registered the increase in share capital with the Ministry of Commerce on 8 January 2015.

The 1,033,000 unit of warrants were converted into 1,033,000 ordinary shares. The Bank registered the increase in share capital with the Ministry of Commerce on 3 April 2015.

The 2,304,450 unit of warrants were converted into 2,304,450 ordinary shares. The Bank registered the increase in share capital with the Ministry of Commerce on 7 July 2015.

Thus, during the year ended 31 December 2015, the Bank issued ordinary shares from conversion of warrants totally 3,917,550 ordinary shares or total increase in share capital and premium of Baht 39,175,500 which resulted in the increase in issued and paid up capital as at 31 December 2015 to Baht 8,467,511,090.

On 25 April 2016, the Annual General Meeting of the Bank's shareholders for the year 2016 approved the decrease of the Bank's registered capital from the existing registered capital of Baht 8,523,372,680 (852,337,268 shares) to a newly registered capital of Baht 8,467,511,090 (846,751,109 shares) with Baht 10 par value by reducing the total of 5,586,159 unissued ordinary shares of which 5,447,500 shares were remained from the exercise of ESOP Warrants and 138,659 shares were remained from the Bank's share swap with shares of Phatra Capital Public Company Limited.

### 30 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.

### 31 Capital fund

As a result of BASEL II improvement, on 8 November 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 phases commencing on 1 January 2013 up to 1 January 2019. During the period 1 January 2013 to 31 December 2016

The minimum capital requirement, the Bank of Thailand as follow;

Capital funds	Minimum required by BOT (%)
Common equity tier 1 capital to risk-weighted assets	4.50
Tier 1 capital to risk-weighted assets	6.00
Capital funds to risk-weighted assets	8.50

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 31 December 2016 and 2015, the Bank's total capital funds can be categorised as follow;

	Consolidated		Separate	
	2016 Thousand Baht	2015 Thousand Baht	2016 Thousand Baht	2015 Thousand Baht
Tier 1 capital				
Issued and paid-up capital	8,467,511	8,467,511	8,467,511	8,467,511
Share premium	9,356,233	9,356,233	9,356,233	9,356,233
Legal reserve	852,337	852,337	852,337	852,337
General reserve	380	380	380	380
Retained earnings after appropriation	19,075,061	17,430,722	16,294,936	15,171,846
Other reserve and other provisions	289,332	(39,297)	292,309	129,934
Non-controlling interests	681	726	-	-
<u>Less</u> Deferred tax assets	(1,771,731)	(1,463,866)	(1,771,731)	(1,458,840)
Intangible Assets	(440,234)	(273,985)	(400,746)	(246,934)
Goodwill	(3,066,035)	(3,066,035)	(3,066,035)	(3,066,035)
Investments in equity securities	(187,668)	(165,951)	-	-
Total tier 1 capital	32,575,867	31,098,775	30,025,194	29,206,432
Tier 2 capital	7,041,104	3,953,769	7,041,040	3,953,735
Total capital fund	39,616,971	35,052,544	37,066,234	33,160,167

As at 31 December 2016 and 2015, capital adequacy ratios and leverage ratios maintained by the Bank in accordance with the Notification of the BOT are as follows;

	Capital funds			
	Consolidated		Separate	
	2016 (%)	2015 (%)	2016 (%)	2015 (%)
Common equity tier 1 capital to risk-weighted assets	15.61	14.71	15.01	14.57
Tier 1 capital to risk-weighted assets	15.61	14.71	15.01	14.57
Capital funds to risk-weighted assets	18.99	16.58	18.53	16.54

	Consolidated		Separate	
	2016 Thousand Baht	2015 Thousand Baht	2016 Thousand Baht	2015 Thousand Baht
Capital funds less capital add-ons				
Capital funds to risk-weighted assets	39,616,971	35,052,544	37,066,234	33,160,167
Rate of capital funds to risk-weighted assets	18.99	16.58	18.53	16.54

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 : Within April 2017

Information as at : 31 December 2016

## 32 Dividend paid

On 25 August 2016, the meeting of the Board of Directors of the Bank No. 9/2559 approved the resolution regarding the payment of interim dividend from six-month period operating performance at the rate of Baht 2.00 per ordinary share. The dividends was paid on 23 September 2016 amounting to Baht 1,693,489,218.

On 25 April 2016, the Annual General Meeting of the Bank's shareholders for the year 2016 approved the resolution regarding the payment of dividend for the year 2015 at the rate of Baht 3.00 per ordinary share, a part of which had been paid as interim dividend at the rate of Baht 1.00 per share on 25 September 2015, amounting to Baht 846,723,108 and the remaining amount will be paid on 24 May 2016 at the rate of Baht 2.00 per share, amounting to Baht 1,693,489,018.

On 27 August 2015, the meeting of the Board of Directors of the Bank No. 7/2558 approved the resolution regarding the payment of interim dividend from six-month period operating performance at the rate of Baht 1.00 per ordinary share. The dividends was paid on 25 September 2015 amounting to Baht 846,723,108.

On 23 April 2015, the Annual General Meeting of the Bank's shareholders for the year 2015 approved the resolution regarding the payment of dividend for the year 2014 at the rate of Baht 1.85 per ordinary share, a part of which had been paid as interim dividend at the rate of Baht 0.50 per share on 26 September 2014, amounting to Baht 420,210,355 and the remaining amount was paid on 22 May 2015 at the rate of Baht 1.35 per share, amounting to Baht 1,139,881,488.

## 33 Other reserves

Other reserves for the for the year ended 31 December 2016 and 2015 are as follows;

	Consolidated			
	Equity attributable to Separate shareholders			
	Other reserves			
	Revaluation surplus (deficit) on investments in receivables Thousand Baht	Revaluation surplus (deficit) available-for-sale securities Thousand Baht	Deferred tax relating to components other comprehensive income Thousand Baht	Surplus on business combination under common control Thousand Baht
<b>Opening balances as at 1 January 2015</b>	993,591	179,356	(58,122)	(24,213)
Total comprehensive income (expenses)	(85,215)	(123,300)	24,275	(190)
<b>Closing balances as at 31 December 2015</b>	908,376	56,056	(33,847)	(24,403)
<b>Opening balances as at 1 January 2016</b>	908,376	56,056	(33,847)	(24,403)
Total comprehensive income (expenses)	(64,421)	341,924	(66,937)	-
<b>Closing balances as at 31 December 2016</b>	843,955	397,980	(100,784)	(24,403)



	Separate		
	Other reserves		
	Revaluation surplus (deficit) on investments in receivables Thousand Baht	Revaluation surplus (deficit) available-for-sale securities Thousand Baht	Deferred tax relating to components other comprehensive income Thousand Baht
<b>Opening balances as at 1 January 2015</b>	108,323	215,926	(64,849)
Total comprehensive income (expenses)	3,228	50,762	(10,798)
<b>Closing balances as at 31 December 2015</b>	111,551	266,688	(75,647)
<b>Opening balances as at 1 January 2016</b>	111,551	266,688	(75,647)
Total comprehensive income (expenses)	5,732	137,663	(28,679)
<b>Closing balances as at 31 December 2016</b>	117,283	404,351	(104,326)

## 34 Assets with obligations and restrictions

As at 31 December 2016, there is no assets with obligations and restrictions which are the property foreclosed where the Group grants an option to debtor for repurchasing (31 December 2015: Baht 5.77 million). Additionally, the Group and the Bank have government and state enterprise securities with book value of Baht 575.88 million are used as collateral for other commitments with government departments and state enterprises (31 December 2015: Baht 577.39 million).

## 35 Contingencies

	Consolidated		Separate	
	2016 Thousand Baht	2015 Thousand Baht	2016 Thousand Baht	2015 Thousand Baht
Aval to bills of exchange	79,709	1,165,583	79,709	1,165,583
Letters of credit	5,097	6,676	5,097	6,676
Other contingencies				
- Unused overdraft credit facilities	1,332,981	675,279	3,042,981	2,155,279
- Other guarantee	5,705,522	2,564,084	5,705,522	2,564,084
<b>Total</b>	<b>7,123,309</b>	<b>4,411,622</b>	<b>8,833,309</b>	<b>5,891,622</b>

## 36 Earnings per share

Earnings per share in the consolidated and the separate financial statements for the year ended 31 December 2016 and 2015 are calculated as follows;

**Basic earnings per share**

Net profit available to ordinary shareholders

**Effect of dilutive securities**

Warrants

**Diluted earnings per share**

Net profit available to ordinary shareholders plus assumed conversions

Consolidated					
For the year ended 31 December					
Profit for the years		Weighted average number of ordinary sharest		Earnings per share	
2016 Thousand Baht	2015 Thousand Baht	2016 Thousand Shares	2015 Thousand Shares	2016 Baht	2015 Baht
5,546,725	3,317,102	846,751	845,299	6.55	3.92
-	-	-	893		
5,546,725	3,317,102	846,751	846,192	6.55	3.92

**Basic earnings per share**

Net profit available to ordinary shareholders

**Effect of dilutive securities**

Warrants

**Diluted earnings per share**

Net profit available to ordinary shareholders plus assumed conversions

Separate					
For the year ended 31 December					
Profit for the years		Weighted average number of ordinary sharest		Earnings per share	
2016 Thousand Baht	2015 Thousand Baht	2016 Thousand Shares	2015 Thousand Shares	2016 Baht	2015 Baht
5,421,502	4,069,423	846,751	845,299	6.40	4.81
-	-	-	893		
5,421,502	4,069,423	846,751	846,192	6.40	4.81

## 37 Information on quality of assets

The quality of assets classified in accordance with the guidelines of the Securities Exchange Commission as at 31 December 2016 and 2015 are as follows;

### 37.1 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 31 December 2016 and 2015 as follows;

	Consolidated and Separate					
	2016					
	Type of investment	Numbers	Cost Million Baht	Market value Million Baht	Provision Million Baht	
	Company which has defaulted on interest payment	Senior securities	1	0.04	-	0.04
	Listed company being subject to delisting	Common stocks	4	6.60	5.42	1.19
		5	6.64	5.42	1.23	

	Consolidated and Separate					
	2015					
	Type of investment	Numbers	Cost Million Baht	Market value Million Baht	Provision Million Baht	
	Company which has defaulted on interest payment	Senior securities	1	0.04	-	0.04
	Listed company being subject to delisting	Common stocks	5	6.60	5.42	1.19
		6	6.64	5.42	1.23	

The Bank had recognised impairment loss on such debt instruments in the statement of profit or loss and other comprehensive income in the period when incurred.

### 37.2 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 separate financial statements as follows;

		Consolidated and Separate		
		2016		
	Numbers	Total debts Thousand Baht	Collateral Thousand Baht	Allowance for doubtful accounts Thousand Baht
Companies which are under default problem	109	6,660,946	11,861,472	1,939,978
	109	6,660,946	11,861,472	1,939,978

		Consolidated and Separate		
		2015		
	Numbers	Total debts Thousand Baht	Collateral Thousand Baht	Allowance for doubtful accounts Thousand Baht
Listed company being subject to delisting	1	397,719	1,606,995	1,141
Companies which are under default problem	94	6,203,061	10,744,974	1,900,730
	95	6,600,780	12,351,969	1,901,871

## 38 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 BOT's Notification Sor Nor Sor. 6/2553 regarding the Guideline on Consolidated Supervision dated on 18 June 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;

### **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 enters into the transactions with general customers with the same risk.

### **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 year ended 31 December 2016 and 2015.





### 38.1 Income

	Consolidated		Separate	
	2016 Million Baht	2015 Million Baht	2016 Million Baht	2015 Million Baht
<b>Interest, dividend income and profit sharing</b>				
Subsidiaries				
Phatra Capital PCL.	-	-	1,093	585
Phatra Securities PCL.	-	-	14	1
KKTRADE Securities Co., Ltd.	-	-	1	1
Erawan Law Office Co., Ltd.	-	-	53	-
CMIC Development Co., Ltd.	-	-	49	27
Asia Recovery 1 Fund	-	-	16	81
Asia Recovery 3 Fund	-	-	63	96
Thai Restructuring Fund	-	-	252	50
Bangkok Capital Fund	-	-	553	1,427
Gamma Capital Fund	-	-	573	546
Asia Recovery Property Fund 1	-	-	-	31
Asia Recovery Property Fund 3	-	-	4	114
	-	-	2,671	2,959

	Consolidated		Separate	
	2016 Million Baht	2015 Million Baht	2016 Million Baht	2015 Million Baht
<b>Fees and services income</b>				
Subsidiaries				
Phatra Capital PCL.	-	-	10	3
Phatra Securities PCL.	-	-	15	12
KKTRADE Securities Co., Ltd.	-	-	2	5
Phatra Asset Management Co., Ltd.	-	-	4	6
Erawan Law Office Co., Ltd.	-	-	-	6
Asia Recovery 2 Fund	-	-	1	-
Asia Recovery 3 Fund	-	-	2	-
Thai Restructuring Fund	-	-	5	-
Bangkok Capital Fund	-	-	5	1
Gamma Capital Fund	-	-	6	2
Directors and management at the position of department head and above including their related persons who have control or significant influences	12	19	-	-
	12	19	50	35

	Consolidated		Separate	
	2016 Million Baht	2015 Million Baht	2016 Million Baht	2015 Million Baht
<b>Other operating income</b>				
Subsidiaries				
Phatra Securities PCL.	-	-	(3)	26
KKTRADE Securities Co., Ltd.	-	-	2	5
Asia Recovery 3 Fund	-	-	-	2
Thai Restructuring Fund	-	-	6	11
Bangkok Capital Fund	-	-	25	7
Gamma Capital Fund	-	-	21	15
Asia Recovery Property Fund 3	-	-	(17)	13
	-	-	34	79

### 38.2 Expenses

	Consolidated		Separate	
	2016 Million Baht	2015 Million Baht	2016 Million Baht	2015 Million Baht
<b>Interest and discounts on borrowings</b>				
Subsidiaries				
Phatra Securities PCL.	-	-	3	3
KKTRADE Securities Co., Ltd.	-	-	10	28
Directors and management at the position of department head and above including their related persons who have control or significant influences	34	9	34	9
	34	9	47	40
<b>Other service expenses</b>				
Subsidiaries				
Phatra Capital PCL.	-	-	115	98
Phatra Securities PCL.	-	-	38	29
Erawan Law Office Co., Ltd.	-	-	-	86
CMIC Development Co., Ltd.	-	-	160	133
Other related parties	68	73	68	73
	68	73	381	419



### 38.3 Outstanding balances

	Consolidated		Separate	
	2016 Million Baht	2015 Million Baht	2016 Million Baht	2015 Million Baht
<b>Loans to financial institutions / Loans</b>				
Subsidiaries				
Phatra Capital PCL.	-	-	1,090	1,500
Phatra Securities PCL.	-	-	3,500	1,400
CMIC Development Co., Ltd.	-	-	975	975
<u>Less</u> Allowance of doubtful accounts	-	-	(46)	(29)
Directors and management at the position of department head and above including their related persons who have control or significant influences	1	2	1	2
	1	2	5,520	3,848
<b>Accrued interest receivables</b>				
Subsidiaries				
Phatra Capital PCL.	-	-	4	5
	-	-	4	5
<b>Other accounts receivables</b>				
Subsidiaries				
Phatra Capital PCL.	-	-	6	2
Phatra Securities PCL.	-	-	8	5
	-	-	14	7
<b>Derivative assets</b>				
Subsidiaries				
Phatra Securities Co., Ltd.	-	-	5	27
	-	-	5	27
<b>Other assets</b>				
Subsidiaries				
CMIC Development Co., Ltd.	-	-	47	49
	-	-	47	49
<b>Deposits</b>				
Subsidiaries				
Phatra Capital PCL.	-	-	6	-
Phatra Securities PCL.	-	-	11	2
KKTRADE Securities Co., Ltd.	-	-	-	147
Erawan Law Office Co., Ltd.	-	-	6	60
Bangkok Capital Fund	-	-	52	252
Gamma Capital Fund	-	-	197	137
CMIC Development Co., Ltd.	-	-	25	4
Directors and management at the position of department head and above including their related persons who have control or significant influences	577	522	577	522
	577	522	874	1,124

### 38.3 Outstanding balances

	Consolidated		Separate	
	2016 Million Baht	2015 Million Baht	2016 Million Baht	2015 Million Baht
<b>Borrowings</b>				
Subsidiaries				
KKTRADE Securities Co., Ltd.	-	-	-	30
Directors and management at the position of department head and above including their related persons who have control or significant influences and other related party	603	200	603	200
	603	200	603	230
<b>Derivatives liabilities</b>				
Subsidiaries				
Phatra Securities PCL.	-	-	11	-
	-	-	11	-
<b>Accrued interest expenses</b>				
Subsidiaries				
KKTRADE Securities Co., Ltd.	-	-	-	3
Other related parties	3	1	3	1
	3	1	3	4
<b>Other liabilities</b>				
Subsidiaries				
Phatra Capital PCL	-	-	83	74
Phatra Securities PCL.	-	-	26	26
CMIC Development Co., Ltd.	-	-	7	8
Other related parties	4	4	4	4
	4	4	120	112

As at 31 December 2016, the Bank sold an asset which had net book value of Baht 1.7 million to a director at Baht 1.7 million and the Bank purchased an asset which had net book value of Baht 2.5 million at market value of Baht 4.2 million from a subsidiary.

## 39 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.



For the year ended 31 December 2016 and 2015, compensations paid to key management personnel are as follows:

	Consolidated		Separate	
	2016 Thousand Baht	2015 Thousand Baht	2016 Thousand Baht	2015 Thousand Baht
Short-term employee benefits	356,889	344,517	217,455	200,167
Post-employment benefits	6,964	5,724	4,535	2,615
<b>Total</b>	<b>363,853</b>	<b>350,241</b>	<b>221,990</b>	<b>202,782</b>

## 40 Operating lease commitments

As at 31 December 2016 and 2015, the Group has operating lease commitments in respect of vehicles, office space, computer software and maintenance, and office equipment expenses from the statements of financial position dates as follows:

	Consolidated			
	2016			
	Vehicle rental expenses Thousand Baht	Office rental expenses Thousand Baht	Computer software and office equipment expenses Thousand Baht	Total Thousand Baht
Within the first year	1,401	126,950	1,264	129,615
Within the second year	1,097	90,471	598	92,166
Over three years	2,493	133,723	9	136,225
<b>Total</b>	<b>4,991</b>	<b>351,144</b>	<b>1,871</b>	<b>358,006</b>

	Consolidated			
	2015			
	Vehicle rental expenses Thousand Baht	Office rental expenses Thousand Baht	Computer software and office equipment expenses Thousand Baht	Total Thousand Baht
Within the first year	912	146,023	1,250	148,185
Within the second year	-	114,751	1,310	116,061
Over three years	-	47,270	507	47,777
<b>Total</b>	<b>912</b>	<b>308,044</b>	<b>3,067</b>	<b>312,023</b>

Separate			
2016			
	Office rental expenses Thousand Baht	Computer software expense Thousand Baht	Total Thousand Baht
Within the first year	122,924	-	122,924
Within the second year	87,178	-	87,178
Over three years	133,723	-	133,723
<b>Total</b>	<b>343,825</b>	<b>-</b>	<b>343,825</b>

Separate			
2015			
	Office rental expenses Thousand Baht	Computer software expense Thousand Baht	Total Thousand Baht
Within the first year	131,166	-	131,166
Within the second year	101,942	-	101,942
Over three years	47,224	-	47,224
<b>Total</b>	<b>280,332</b>	<b>-</b>	<b>280,332</b>



## 41 Operating segments

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 and CMIC Development Co., Ltd. except for the Debt restructuring segment
- Capital market business consists of Phatra Capital PCL., Phatra Securities PCL., Phatra Asset Management Co., Ltd and Phatra Asset Management (Cayman) Limited
- 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.

### 41.1 Operation result

Operation result classified by Commercial Banking Business, Capital Market Business and The Debt Restructuring Segment for the years ended 31 December 2016 and 2015 are as follows;

	Consolidated			
	2016			
	Commercial banking business Million Baht	Capital market business Million Baht	Debt restructuring segment Million Baht	Total Million Baht
Income from external clients				
Interest income, net	9,545	(52)	940	10,433
Fees and services income, net	1,846	1,859	2	3,707
Other operating income, net	652	1,346	18	2,016
Total income from operating	12,043	3,153	960	16,156
Income between segments	2,781	169	13	2,963
Depreciation and amortisation	303	111	7	421
Other expenses	5,981	1,724	(773)	6,932
Total other operating expenses	6,284	1,835	(766)	7,353
Impairment loss of loans and debt securities (Reversal)	2,341	-	(28)	2,313
Profit from operating before income tax expenses	3,418	1,318	1,754	6,490
Income tax expenses	497	291	91	879
<b>Net Income</b>	<b>2,921</b>	<b>1,027</b>	<b>1,663</b>	<b>5,611</b>

	Consolidated			
	2015			
	Commercial banking business Million Baht	Capital market business Million Baht	Debt restructuring segment Million Baht	Total Million Baht
Income from external clients				
Interest income, net	8,992	4	453	9,449
Fees and services income, net	1,661	1,806	4	3,471
Other operating income, net	680	1,237	220	2,137
Total income from operating	11,333	3,047	677	15,057
Income between segments	3,233	159	14	3,406
Depreciation and amortisation	284	127	7	418
Other expenses	6,023	1,729	(348)	7,404
Total other operating expenses	6,307	1,856	(341)	7,822
Impairment loss of loans and debt securities (Reversal)	3,376	-	(168)	3,208
Profit from operating before income tax expenses	1,650	1,191	1,186	4,027
Income tax expenses	219	236	146	601
<b>Net Income</b>	<b>1,431</b>	<b>955</b>	<b>1,040</b>	<b>3,426</b>

Total assets classified by Commercial Banking Business, Capital Market Business and The Debt Restructuring Segment

	Commercial banking business Million Baht	Capital market business Million Baht	Debt restructuring segment Million Baht	Total Million Baht
As at 31 December 2016	203,786	23,572	6,418	233,776
As at 31 December 2015	205,310	23,587	7,247	236,144





#### 41.2 Reconciliation operating segments information

Reconciliation between consolidated income from all segments and income and reconciliation between consolidated profit from all segments and profit from operating before income tax expenses for the years ended 31 December 2016 and 2015 are as follows;

	Consolidated	
	2016 Million Baht	2015 Million Baht
Income		
Consolidated income from all segments	19,119	18,463
Elimination of inter-segment income	(2,963)	(3,406)
<b>Total income</b>	<b>16,156</b>	<b>15,057</b>
Profit		
Consolidated profit from all segments	6,490	4,027
Elimination of inter-segment profit	-	-
<b>Profit from operating before income tax expenses</b>	<b>6,490</b>	<b>4,027</b>

Reconciliation between consolidated assets from all segments and total assets as at 31 December 2016 and 2015 are as follows;

	Consolidated	
	2016 Million Baht	2015 Million Baht
Assets		
Consolidated assets from all segments	233,776	236,144
Elimination of inter-segment assets	-	-
<b>Total assets</b>	<b>233,776</b>	<b>236,144</b>

During the years ended 31 December 2016 and 2015, 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 and its subsidiaries operate in Thailand only. As a result, all of the revenues, profits and assets as reflected in these financial statements pertain to the aforementioned geographical reportable.

## 42 Important positions and performance classified by type of domestic or foreign transactions

### 42.1 Position classified by type of transaction

	Consolidated					
	2016			2015		
	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht
Total assets	228,224,094	5,552,285	233,776,379	231,727,030	4,417,210	236,144,240
Interbank and money market items, net	10,872,212	612,270	11,484,482	9,684,952	116,209	9,801,161
Investments	27,433,078	932,258	28,365,336	20,005,102	285,338	20,290,440
Loan to customer and accrued interest receivables, net	162,562,801	3,748,116	166,310,917	165,832,956	3,523,470	169,356,426
Deposits	109,922,919	-	109,922,919	104,326,899	-	104,326,899
Interbank and money market items	8,359,651	-	8,359,651	9,209,441	-	9,209,441
Debt issued and borrowings	56,054,619	-	56,054,619	61,084,916	-	61,084,916

	Separate					
	2016			2015		
	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht
Total assets	216,241,614	4,070,813	220,312,427	217,811,757	3,659,910	221,471,667
Interbank and money market items, net	13,056,211	222,714	13,278,925	8,563,404	100,822	8,664,226
Investments	15,044,934	-	15,044,934	15,013,831	-	15,013,831
Loan to customer and accrued interest receivables, net	164,620,709	3,748,116	168,368,825	168,018,759	3,523,470	171,542,229
Deposits	110,209,032	-	110,209,032	104,780,870	-	104,780,870
Interbank and money market items	8,000,191	-	8,000,191	9,118,022	-	9,118,022
Debt issued and borrowings	52,946,967	-	52,946,967	59,425,078	-	59,425,078



#### 42.2 Performance classified by type of transaction

	Consolidated					
	2016			2015		
	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht
Interest income	14,646,614	222,524	14,869,138	14,563,529	212,842	14,776,371
Interest expenses	4,436,088	-	4,436,088	5,327,821	-	5,327,821
Net interest income	10,210,526	222,524	10,433,050	9,235,708	212,842	9,448,550
Net fee and service income	3,405,753	300,796	3,706,549	3,177,121	294,240	3,471,361
Other operating income	1,858,844	157,099	2,015,943	1,913,116	223,937	2,137,053
Other operating expenses	9,663,307	2,224	9,665,531	11,021,917	7,923	11,029,840
Profit from continuing operation before income	5,811,816	678,195	6,490,011	3,304,028	723,096	4,027,124

	Separate					
	2016			2015		
	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht
Interest income	13,888,025	221,391	14,109,416	14,048,235	212,607	14,260,842
Interest expenses	4,347,498	-	4,347,498	5,254,679	-	5,254,679
Net interest income	9,540,527	221,391	9,761,918	8,793,556	212,607	9,006,163
Net fee and service income	1,871,894	-	1,871,894	1,675,366	-	1,675,366
Other operating income	2,912,739	145,407	3,058,146	3,313,338	158,013	3,471,351
Other operating expenses	8,653,650	2,224	8,655,874	9,742,269	7,923	9,750,192
Profit from continuing operation before income	5,671,510	364,574	6,036,084	4,039,991	362,697	4,402,688

## 43 Interest income

Interest income for the years ended 31 December 2016 and 2015 are as follows;

	Consolidated		Separate	
	2016 Thousand Baht	2015 Thousand Baht	2016 Thousand Baht	2015 Thousand Baht
Interbank and money market items	134,678	134,756	108,499	67,582
Investment in debt securities	403,441	578,694	337,147	487,213
Investment in receivables	984,850	534,379	206,274	95,384
Loans	4,418,502	4,618,630	4,529,829	4,700,751
Hire-purchase and financial leases	8,927,667	8,909,912	8,927,667	8,909,912
<b>Total interest income</b>	<b>14,869,138</b>	<b>14,776,371</b>	<b>14,109,416</b>	<b>14,260,842</b>

## 44 Interest expenses

Interest expenses for the years ended 31 December 2016 and 2015 are as follows;

	Consolidated		Separate	
	2016 Thousand Baht	2015 Thousand Baht	2016 Thousand Baht	2015 Thousand Baht
Deposits	2,111,471	3,061,618	2,111,747	3,062,009
Interbank and money market items	89,103	94,407	94,431	122,744
Contributions to Financial Institution Development Fund and Deposit Development Fund and Deposit Protection Agency	725,771	778,815	725,771	778,814
Debt issued				
- Senior securities	1,164,317	1,269,438	1,164,317	1,269,438
- Subordinated bond	233,492	3,773	233,492	3,773
- Others	63,779	55,228	11,024	11,806
Fees and charges on borrowings	3,368	2,956	6,716	6,095
Others	44,787	61,586	-	-
<b>Total interest expenses</b>	<b>4,436,088</b>	<b>5,327,821</b>	<b>4,347,498</b>	<b>5,254,679</b>

## 45 Fees and services income, net

Fees and services income, net for the years ended 31 December 2016 and 2015 are as follows;

	Consolidated		Separate	
	2016 Thousand Baht	2015 Thousand Baht	2016 Thousand Baht	2015 Thousand Baht
Fees and services income				
- Brokerage fees	1,690,766	1,639,373	-	-
- Bancassurance fees	952,415	891,115	952,415	891,116
- Acceptance, avals and guarantees	80,881	48,356	80,881	48,632
- Others	1,450,234	1,355,116	965,441	867,876
Total fees and services income	4,174,296	3,933,960	1,998,737	1,807,624
Fees and services expenses				
- Security management fees	300,753	293,467	-	-
- Others	166,994	169,132	126,843	132,258
Total fees and services expenses	467,747	462,599	126,843	132,258
<b>Fees and services income, net</b>	<b>3,706,549</b>	<b>3,471,361</b>	<b>1,871,894</b>	<b>1,675,366</b>

## 46 Gain on trading and foreign exchange transactions, net

Gain on trading and foreign exchange transactions, net for the years ended 31 December 2016 and 2015 are as follows;

	Consolidated		Separate	
	2016 Thousand Baht	2015 Thousand Baht	2016 Thousand Baht	2015 Thousand Baht
Gain (loss) on trading and foreign exchange transactions				
- Foreign exchange	8,003	(49,571)	20,527	(62,043)
- Debt securities	24,650	99,599	20,845	97,695
- Equity securities	618,722	337,201	390,136	(202,576)
- Derivatives	(74,135)	490,218	(380,581)	207,534
<b>Total</b>	<b>577,240</b>	<b>877,447</b>	<b>50,927</b>	<b>40,610</b>

## 47 Gain (loss) on investments, net

Gain (loss) on investments, net for the years ended 31 December 2016 and 2015 are as follows;

	Consolidated		Separate	
	2016 Thousand Baht	2015 Thousand Baht	2016 Thousand Baht	2015 Thousand Baht
Gain (loss) on sale of			-	-
- Available-for-sale investments	89,543	334,570	-	272,749
- General investments	(596)	181	(596)	181
- Investments in subsidiaries	114,480	-	34,927	46,898
Total	203,427	334,751	34,331	319,828
Reversal (loss) on impairment of				
- General investments	(101)	999	(101)	326
- Investments in subsidiaries	-	-	(415,882)	(251,696)
Total	(101)	999	(415,983)	(251,370)
<b>Total gain (loss) on investments, net</b>	<b>203,326</b>	<b>335,750</b>	<b>(381,652)</b>	<b>68,458</b>

The Bank recognised loss on impairment due to the carrying value less than the fair value.

## 48 Other operating income

Other operating income for the years ended 31 December 2016 and 2015 are as follows;

	Consolidated		Separate	
	2016 Thousand Baht	2015 Thousand Baht	2016 Thousand Baht	2015 Thousand Baht
Penalty income	315,771	266,995	315,675	266,859
Profit from sales of fixed assets	17,782	10,550	11,589	10,548
Other income	459,368	325,065	306,975	123,157
<b>Total other operating income</b>	<b>792,921</b>	<b>602,610</b>	<b>634,239</b>	<b>400,564</b>



## 49 Other expenses

Other expenses for the years ended 31 December 2016 and 2015 are as follows;

	Consolidated		Separate	
	2016 Thousand Baht	2015 Thousand Baht	2016 Thousand Baht	2015 Thousand Baht
Repossessed cars expenses	210,486	199,887	210,486	199,887
Properties foreclosed expenses	64,510	43,389	64,510	43,389
Transportation expenses	139,955	142,633	118,049	117,249
Advertising and promotion expenses	535,126	420,182	515,466	393,099
Management fee of Mutual funds	7,976	12,324	-	-
Other intangible assets expenses	95,452	83,074	73,811	63,203
Other expenses	715,479	522,541	599,657	487,104
<b>Total other expenses</b>	<b>1,768,984</b>	<b>1,424,030</b>	<b>1,581,979</b>	<b>1,303,931</b>

## 50 Impairment loss on loans and debt securities

Impairment loss on loans and debt securities for the years ended 31 December 2016 and 2015 are as follows;

	Consolidated		Separate	
	2016 Thousand Baht	2015 Thousand Baht	2016 Thousand Baht	2015 Thousand Baht
Interbank and money market items	(3,680)	(1,000)	17,320	13,000
Loans	3,292,430	3,831,115	3,288,305	3,729,609
Loss for restructuring	2,245	102,316	2,245	102,316
Loss on revaluation and impairment of investments in receivables	25,814	20,858	26,743	27,608
Loss on impairment of investment in receivables	-	36	-	36
Gain from transferring investments in receivables to loans	(486)	(28,788)	(486)	(28,788)
	<b>3,316,323</b>	<b>3,924,537</b>	<b>3,334,127</b>	<b>3,843,781</b>
<u>Less</u> Bad debts recovered from loans and hire purchase receivables	(980,135)	(697,691)	(980,135)	(697,691)
Bad debts recovered from investments in receivables	(23,067)	(18,872)	(23,067)	(18,872)
<b>Total</b>	<b>2,313,121</b>	<b>3,207,974</b>	<b>2,330,925</b>	<b>3,127,218</b>

## 51 Income tax expenses

Income tax expenses for the years ended 31 December 2016 and 2015 are as follows;

	Consolidated		Separate	
	2016 Thousand Baht	2015 Thousand Baht	2016 Thousand Baht	2015 Thousand Baht
Current income tax for the period	1,252,904	1,038,957	935,907	793,556
Adjustment in respect of current income tax of previous period	(8,915)	8,904	(8,435)	9,004
Deferred tax	(365,093)	(446,288)	(312,890)	(469,295)
<b>Total income tax expenses</b>	<b>878,896</b>	<b>601,573</b>	<b>614,582</b>	<b>333,265</b>

Reconciliation of effective tax rate for the years ended 31 December 2016 and 2015.

	Consolidated	
	2016 Thousand Baht	2015 Thousand Baht
Profit before income tax expenses	6,490,011	4,027,124
Tax calculated at a tax rate of 20%	1,298,002	805,425
Adjustment in respect of current income tax of previous period	(8,915)	8,904
Income not subjected to tax	(494,487)	(263,517)
Expenses not deductible for tax purpose	84,296	50,761
<b>Income tax expenses as statements of profit or loss and other comprehensive income</b>	<b>878,896</b>	<b>601,573</b>

	Separate	
	2016 Thousand Baht	2015 Thousand Baht
Profit before income tax expenses	6,036,084	4,402,688
Tax calculated at a tax rate of 20%	1,207,217	880,538
Adjustment in respect of current income tax of previous period	(8,435)	9,004
Income not subjected to tax	(647,406)	(583,808)
Expenses not deductible for tax purpose	63,206	27,531
<b>Income tax expenses as statements of profit or loss and other comprehensive income</b>	<b>614,582</b>	<b>333,265</b>

The weighted average income tax rate for the year ended 31 December 2016 was 13.54% and 10.18% in the consolidated and the separate financial statements respectively (2015 : 14.94% and 7.57%) respectively.

The weighted average income tax rate for the consolidated financial statements decreased from impairment losses on investment and gain (losses) from sold properties foreclosed transactions. The weighted average income tax rate for the separate financial statements increased from dividend received transactions.





## 52 Income tax relating to components of other comprehensive income (loss)

Income tax relating to components of other comprehensive income (loss) for the years ended 31 December 2016 and 2015 are as follows;

	Consolidated					
	2016			2015		
	Before tax Thousand Baht	Tax (expense) benefit Thousand Baht	Net of tax Thousand Baht	Before tax Thousand Baht	Tax (expense) benefit Thousand Baht	Net of tax Thousand Baht
Gain (loss) on remeasuring investments in receivables	(74,019)	(1,146)	(75,165)	(84,279)	(646)	(84,925)
Gain (loss) on remeasuring available-for-sale securities	341,924	(65,793)	276,131	(123,348)	24,936	(98,412)
Remeasurments of post-employment benefit obligations	313	(1,153)	(840)	(16,596)	2,689	(13,907)
<b>Other comprehensive income (loss)</b>	<b>268,218</b>	<b>(68,092)</b>	<b>200,126</b>	<b>(224,223)</b>	<b>26,979</b>	<b>(197,244)</b>

	Separate					
	2016			2015		
	Before tax Thousand Baht	Tax (expense) benefit Thousand Baht	Net of tax Thousand Baht	Before tax Thousand Baht	Tax (expense) benefit Thousand Baht	Net of tax Thousand Baht
Gain (loss) on remeasuring investments in receivables	5,732	(1,146)	4,586	3,228	(646)	2,582
Gain (loss) on remeasuring available-for-sale securities	137,663	(27,533)	110,130	50,762	(10,152)	40,610
Remeasurments of post-employment benefit obligations	-	-	-	(7,653)	1,531	(6,122)
<b>Other comprehensive income (loss)</b>	<b>143,395</b>	<b>(28,679)</b>	<b>114,716</b>	<b>46,337</b>	<b>(9,267)</b>	<b>37,070</b>

## 53 Fair value

### 53.1 Fair value estimation

The fair value of the financial instruments are defined into the following three different levels by valuation method as follows;

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2016 and 2015.

Consolidated					
2016					
	Carrying amount Thousand Baht	Fair value			
		Level 1 Thousand Baht	Level 2 Thousand Baht	Level 3 Thousand Baht	Total Thousand Baht
<b>Assets</b>					
Derivatives assets	1,353,345	-	1,353,345	-	1,353,345
Trading securities					
Government and state enterprise securities	441,639	-	441,639	-	441,639
Private sector's debt securities	417,936	-	417,936	-	417,936
Domestic marketable equity securities	13,473,147	13,473,147	-	-	13,473,147
Available-for-sale securities					
Government and state enterprise securities	9,245,168	-	9,245,168	-	9,245,168
Domestic marketable equity securities	2,736,980	2,736,980	-	-	2,736,980
Foreign marketable equity security	932,258	932,258	-	-	932,258
Investments in receivables, net	2,553,786	-	-	2,553,786	2,553,786
<b>Total assets</b>	<b>31,154,259</b>	<b>17,142,385</b>	<b>11,458,088</b>	<b>2,553,786</b>	<b>31,154,259</b>
<b>Liabilities</b>					
Derivatives liabilities	2,499,389	-	2,499,389	-	2,499,389
<b>Total liabilities</b>	<b>2,499,389</b>	<b>-</b>	<b>2,499,389</b>	<b>-</b>	<b>2,499,389</b>



	Consolidated				
	2015				
	Carrying amount Thousand Baht	Fair value			
		Level 1 Thousand Baht	Level 2 Thousand Baht	Level 3 Thousand Baht	Total Thousand Baht
<b>Assets</b>					
Derivatives assets	1,756,965	-	1,756,965	-	1,756,965
Trading securities					
Government and state enterprise securities	359,666	-	359,666	-	359,666
Private sector's debt securities	418,206	-	418,206	-	418,206
Domestic marketable equity securities	5,532,917	5,532,917	-	-	5,532,917
Foreign marketable equity Securities	2,313	2,313	-	-	2,313
Available-for-sale securities					
Government and state enterprise securities	10,383,212		10,383,212		10,383,212
Domestic marketable equity securities	2,273,626	2,273,626	-	-	2,273,626
Foreign marketable equity security	283,025	283,025	-	-	283,025
Investments in receivables, net	2,898,694	-	-	2,898,694	2,898,694
<b>Total assets</b>	<b>23,908,624</b>	<b>8,091,881</b>	<b>12,918,049</b>	<b>2,898,694</b>	<b>23,908,624</b>
<b>Liabilities</b>					
Derivatives liabilities	2,583,953	-	2,583,953	-	2,583,953
<b>Total liabilities</b>	<b>2,583,953</b>	<b>-</b>	<b>2,583,953</b>	<b>-</b>	<b>2,583,953</b>

	Separate				
	2016				
	Carrying amount Thousand Baht	Fair value			
		Level 1 Thousand Baht	Level 2 Thousand Baht	Level 3 Thousand Baht	Total Thousand Baht
<b>Assets</b>					
Derivatives assets	1,316,371	-	1,316,371	-	1,316,371
Trading securities					
Government and state enterprise securities	441,639	-	441,639	-	441,639
Private sector's debt securities	417,936	-	417,936	-	417,936
Domestic marketable equity securities	1,912,429	1,912,429	-	-	1,912,429
Available-for-sale securities					
Government and state enterprise securities	9,214,925		9,214,925		9,214,925
Domestic marketable equity securities	2,024,820	2,024,820	-	-	2,024,820
Investments in receivables, net	829,729	-	-	829,729	829,729
<b>Total assets</b>	<b>16,157,849</b>	<b>3,937,249</b>	<b>11,390,871</b>	<b>829,729</b>	<b>16,157,849</b>
<b>Liabilities</b>					
Derivatives liabilities	1,897,126	-	1,897,126	-	1,897,126
<b>Total liabilities</b>	<b>1,897,126</b>	<b>-</b>	<b>1,897,126</b>	<b>-</b>	<b>1,897,126</b>



Separate					
2015					
	Carrying amount Thousand Baht	Fair value			
		Level 1 Thousand Baht	Level 2 Thousand Baht	Level 3 Thousand Baht	Total Thousand Baht
<b>Assets</b>					
Derivatives assets	1,703,010	-	1,703,010	-	1,703,010
Trading securities					
Government and state enterprise securities	359,666	-	359,666	-	359,666
Private sector's debt securities	418,206	-	418,206	-	418,206
Domestic marketable equity securities	1,522,294	1,522,294	-	-	1,522,294
Available-for-sale securities					
Government and state enterprise securities	10,352,438	-	10,352,438	-	10,352,438
Domestic marketable equity securities	1,342,236	1,342,236	-	-	1,342,236
Investments in receivables, net	901,876	-	-	901,876	901,876
<b>Total assets</b>	<b>16,599,726</b>	<b>2,864,530</b>	<b>12,833,320</b>	<b>901,876</b>	<b>16,599,726</b>
<b>Liabilities</b>					
Derivatives liabilities	2,336,469	-	2,336,469	-	2,336,469
<b>Total liabilities</b>	<b>2,336,469</b>	<b>-</b>	<b>2,336,469</b>	<b>-</b>	<b>2,336,469</b>

There was no transfers between Levels 1 and 2 during the year.

The following table presents the Group's financial assets and liabilities that not measured at fair value at 31 December 2016

	Consolidated				
	2016				
	Carrying amount Thousand Baht	Fair value			
		Level 1 Thousand Baht	Level 2 Thousand Baht	Level 3 Thousand Baht	Total Thousand Baht
<b>Assets</b>					
Interbank and money market items, net	11,484,482	11,484,482	-	-	11,484,482
Loans to customers and accrued interest receivables, net	166,310,917	-	166,241,291	-	166,241,291
Held-to-maturity securities	1,093,949	-	1,159,231	-	1,159,231
General investments	24,259	-	-	228,787	228,787
Account receivable from clearing house	629,469	-	629,469	-	629,469
Securities and derivative business receivables	7,602,021	-	7,602,021	-	7,602,021
<b>Total assets</b>	<b>187,145,097</b>	<b>11,484,482</b>	<b>175,632,012</b>	<b>228,787</b>	<b>187,345,281</b>
<b>Liabilities</b>					
Deposits	109,922,919	-	104,588,591	-	104,588,591
Interbank and money market items, net	8,359,651	8,359,651	-	-	8,359,651
Liabilities payable on demands	225,390	-	225,390	-	225,390
Debt issued and borrowings	56,054,619	-	56,369,859	-	56,369,859
Accounts payable to clearing house	2,885,681	-	2,885,681	-	2,885,681
Securities and derivative business payables	4,382,762	-	4,382,762	-	4,382,762
Accrued interest payable	476,549	-	476,549	-	476,549
<b>Total liabilities</b>	<b>182,307,571</b>	<b>8,359,651</b>	<b>168,928,832</b>	<b>-</b>	<b>177,288,483</b>



Consolidated					
2015					
	Carrying amount Thousand Baht	Fair value			
		Level 1 Thousand Baht	Level 2 Thousand Baht	Level 3 Thousand Baht	Total Thousand Baht
<b>Assets</b>					
Interbank and money market items, net	9,801,161	9,801,161	-	-	9,801,161
Loans to customers and accrued interest receivables, net	169,356,426	-	169,837,409	-	169,837,409
Held-to-maturity securities	1,004,840	-	1,077,271	-	1,077,271
General investments	32,635	-	-	206,826	206,826
Account receivable from clearing house	1,030,855	-	1,030,855	-	1,030,855
Securities and derivative business receivables	14,463,306	-	14,463,306	-	14,463,306
<b>Total assets</b>	<b>195,689,223</b>	<b>9,801,161</b>	<b>186,408,841</b>	<b>206,826</b>	<b>196,416,828</b>
<b>Liabilities</b>					
Deposits	104,326,899	-	104,588,591	-	104,588,591
Interbank and money market items, net	9,209,441	9,209,441	-	-	9,209,441
Liabilities payable on demands	388,583	-	388,583	-	388,583
Debt issued and borrowings	61,084,916	-	61,474,123	-	61,474,123
Accounts payable to clearing house	1,097,742	-	1,097,742	-	1,097,742
Securities and derivative business payables	9,816,958	-	9,816,958	-	9,816,958
Accrued interest payable	721,953	-	721,953	-	721,953
<b>Total liabilities</b>	<b>186,646,492</b>	<b>9,209,441</b>	<b>178,087,950</b>	<b>-</b>	<b>187,297,391</b>

Separate					
2016					
	Carrying amount Thousand Baht	Fair value			
		Level 1 Thousand Baht	Level 2 Thousand Baht	Level 3 Thousand Baht	Total Thousand Baht
<b>Assets</b>					
Interbank and money market items, net	13,278,925	13,278,925	-	-	13,278,925
Loans to customers and accrued interest receivables, net	168,368,825	-	168,299,199	-	168,299,199
Held-to-maturity securities	1,004,185	-	1,069,467	-	1,069,467
General investment	29,000	-	-	218,578	218,578
<b>Total assets</b>	<b>182,680,935</b>	<b>13,278,925</b>	<b>169,368,666</b>	<b>218,578</b>	<b>182,866,169</b>
<b>Liabilities</b>					
Deposits	110,209,032	-	105,042,562	-	105,042,562
Interbank and money market items, net	8,000,191	8,000,191	-	-	8,000,191
Liabilities payable on demands	225,390	-	225,390	-	225,390
Debt issued and borrowings	52,946,967	-	53,262,207	-	53,262,207
Accrued interest payable	476,549	-	476,549	-	476,549
<b>Total liabilities</b>	<b>171,858,129</b>	<b>8,000,191</b>	<b>159,006,708</b>	<b>-</b>	<b>167,006,899</b>

Separate					
2015					
	Carrying amount Thousand Baht	Fair value			
		Level 1 Thousand Baht	Level 2 Thousand Baht	Level 3 Thousand Baht	Total Thousand Baht
<b>Assets</b>					
Interbank and money market items, net	8,664,226	8,664,226	-	-	8,664,226
Loans to customers and accrued interest receivables, net	171,542,229	-	172,023,212	-	172,023,212
Held-to-maturity securities	1,004,840	-	1,077,271	-	1,077,271
General investment	14,151	-	-	188,342	188,342
<b>Total assets</b>	<b>181,225,446</b>	<b>8,664,226</b>	<b>173,100,483</b>	<b>188,342</b>	<b>181,953,051</b>
<b>Liabilities</b>					
Deposits	104,780,870	-	105,042,562	-	105,042,562
Interbank and money market items, net	9,118,022	9,118,022	-	-	9,118,022
Liabilities payable on demands	390,693	-	390,693	-	390,693
Debt issued and borrowings	59,425,078	-	59,814,285	-	59,814,285
Accrued interest payable	724,728	-	724,728	-	724,728
<b>Total liabilities</b>	<b>174,439,391</b>	<b>9,118,022</b>	<b>165,972,268</b>	<b>-</b>	<b>175,090,290</b>

There was no transfers between Levels 1 and 2 during the year.





Other financial instruments not carried at fair value are typically short-term in nature and reprice to current market rate frequently. Accordingly, their carrying amount is a reasonable approximation of fair value. This includes saving deposits and current deposits presented as both interbank and money market assets and liabilities items, account receivable from clearing house, securities and derivative business receivables saving deposits and current deposits, liabilities payable on demand, account payable to cleaning house and securities and derivative business payables.

Fair value of the following assets and liabilities is estimated for the purpose of disclosure as described below;

**Loans to customers and accrued interest receivable, net**

For floating rate loans, the fair value is equal to the carrying amount.

For fixed rate loans which are classified as normal or special mentioned, the fair value is equal to the present value of future cash flows discounted by the effective interest of loans with similar features.

For non-performing fixed rate loans, the fair value is equal to the carrying amount.

**Interbank and money market items**

The interbank and money market items (assets) are loans to financial institutions which are short-term or at call. Accordingly, their carrying amount is a reasonable approximation of fair value.

The interbank and money market items (liabilities) are borrowing and fixed deposits which are short-term. Accordingly, their carrying amount is a reasonable approximation of fair value.

**Deposits**

For saving and current deposits, the fair value is estimated by using carrying amount.

For fixed deposits and certificate of deposit, the fair value is estimated by using discounted cash flow applying current rates offered for fixed deposits of similar remaining maturities.

**Debt issued and borrowings**

The fair value of debt issued and borrowings is estimated by using quoted prices or yields of the Thai Bond Association at the statement of financial positions.

**Accrued interest payable**

The carrying amount of accrued interest payable in the statement of financial positions approximates to fair value.

**Held-to-maturity investment**

The fair value of held-to-maturity is estimated by using quoted prices or yields of the Thai Bond Association at the statement of financial positions.

### General investments

The fair value of general investments, where quoted market prices at the statement of financial positions date are not available, is determined by Price-to-book value ratio valuation model (PBV). The model is product of the book value of the general investment and price-to-book value ratio of similar industry instruments, where quoted market prices are available.

### 53.2 Valuation techniques used to derive Level 2 fair values

Level 2 trading and hedging derivatives comprise forward foreign exchange contracts and foreign exchange swaps which are fair valued based on forward rate of foreign currency against Thai Baht and discounted with Thai Baht interest rate. Interest rate swap and cross currency swap are fair valued based on the cash flows from contract rate (for fixed interest rate) or forward rate (for floating rate) and discounted with interest rate in each currency which can be obtained from observable market. Equity linked swap is fair valued based on each component in contracts. For equity component, the fair value is measured by using the last bid price quoted by the Stock Exchange of Thailand. For accrued dividend payable or receivable, the fair value is measured based on the expected cash inflow or outflow. For interest component, the fair value measurement is calculated the same method with interest rate swap contracts. The fair value of the option that is embedded with the structured note and is managed. Through the back to back deal, is obtained from the counterparty. The model that is used by the counterparty to calculate the fair value use valuation inputs that are mainly observable.

The counterparty risk from derivative transactions is taken into account when reporting the fair value of derivative positions. The adjustment to the fair value is known as the credit value adjustment ('CVA').

Level 2 debt investments of marketable securities are fair valued based on yield curve of the Thai Bond Market Association under discounted cash flow model.

### 53.3 Fair value measurements using significant unobservable inputs (Level 3)

	Investments in receivables, net			
	Consolidated		Separate	
	2016 Thousand Baht	2015 Thousand Baht	2016 Thousand Baht	2015 Thousand Baht
Opening balance	2,898,694	3,302,756	901,876	968,743
Transfer out or repayment	(294,557)	(405,323)	(100,619)	(148,883)
Gain recognised in profit and loss	23,668	85,540	22,740	78,788
Gain (loss) recognised in other comprehensive income	(74,019)	(84,279)	5,732	3,228
<b>Closing balance</b>	<b>2,553,786</b>	<b>2,898,694</b>	<b>829,729</b>	<b>901,876</b>

There was no changes in fair value basis and estimation during the year.



#### 53.4 Group's valuation processes

The main Level 3 input used by the Group pertains to the estimated discounted cash flow projections of expected cash receive from debtor and selling of collateral with the expected selling period but not exceeding the balance in the original contract. The discount rate is estimated based on current market assessments of the time value of money, risk adjusted and in line with the related BOT's notification which are at the rates between 7% to 18% per annum.

If the change in the discount rate shifted + 1 or - 1%, the impact on profit or loss in the consolidated and the separate financial statements will be as follows;

	Consolidated		Separate	
	2016 Million Baht	2015 Million Baht	2016 Million Baht	2015 Million Baht
Discount rate increased 1%	(57)	(67)	(20)	(25)
Discount rate decreased 1%	55	70	19	26

Asset Quality Management Department reviews fair value of assets at the end of each month by using fair value of collaterals. The collaterals are appraised every 3 years and uses the discount rate announced by the BOT regulations.

## 54 Subsequent events

On 23 February 2017, the Board of directors Meeting of the Bank No.2/2017 approved the resolution regarding the payment of dividend for the year of 2016 at the rate of Baht 6 per share, a part of which had been paid as interim dividend at the rate of Baht 2 per share and the remaining amount will be paid on 23 May 2017 at the rate of Baht 4 per share.



