

KIATNAKIN PHATRA

FINANCIAL GROUP

Annual Report 2017





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Please see Corporate Social Responsibility Report 2017.

Milestone

Kiatnakin Phatra Financial Group



1971

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

1993

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

1998

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

1972

Phatra Thanakit Finance and Securities Public Company Limited was formed.

1997

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





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 operational excellence in each of the core businesses in the commercial banking and capital market businesses.

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

Vision

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



Mission

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

Awards and Ranking



"A-"

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

SET Awards 2017 (Best Company Performance 2017)

Received "Best Company Performance Awards" (SET market capitalization of between 30,000 - 100,000 billion baht) from SET Awards 2017, organized by the Stock Exchange of Thailand (SET) and Money and Banking Magazine.

The Best Business Model Execution Award

Received "The Best Business Model Execution Award" from the Asian Banker Thailand Country Awards 2017 due to success of the bank's Preferred Partner model which efficiently provided financial services to business partners, organized by the Asian Banker, the Asia's leading finance and banking magazine.

CISO of the Year Award 2017

Received "CISO of the Year Award", the most outstanding IT security in Asia, from Network World Asia CISO Awards 2017, organized by Network World Asia, a magazine in the group of Network World magazine.

Best Application Security Award 2017

Received "Best Application Security Award", the best implementation of security for on-premise, cloud and mobile apps critical to the organization's operations, from Network World Asia CISO Awards 2017, organized by Network World Asia, a magazine in the group of Network World magazine.

SMEs Excellence Awards 2017 (Platinum Award)

Received "Platinum Award" (service sector as a financial institution which excellently manage customer to have sustainable growth and development) from SMEs Excellence Awards 2017, organized by Thailand Management Association.

Thailand Sustainability Investment 2017

One of 65 listed companies selected by the SET to be on the list of Thailand Sustainability Investment 2017 for three consecutive years (2015 - 2017) for a commitment to develop performance on Environment, Social and good Governance (ESG) for being sustainability organization and building confidence among all stakeholders, organized by the Stock Exchange of Thailand (SET).

ESG100

One of 100 listed companies selected by THAIPAT's ESG Rating Unit to be on the list of ESG100 for three consecutive years (2015 - 2017) for an outstanding sustainability performance of ESG aspects, organized by Thaipat Institute.

"Excellent"

Rated as "Excellent CG Scoring" from the Annual Corporate Governance Survey for 2017 (CGR), organized by Thai Institute of Directors Association (IOD).



SET Awards

- 2017 Outstanding Securities Company Awards
- 2016 Best Securities Company, Outstanding Deal of the Year

Institutional Investor

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

- 2017 Best Local Brokerage Firm
- 2016 Awards for Excellence - Best Investment Bank in Thailand

Finance Asia

- 2017 Best Thailand Deal (Saha Pathana Inter-Holding Public Company Limited)
- 2017 Country Award - Best Broker Thailand
- 2016 20th 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

Alpha Southeast Asia

- 2017 Best IPO Deal in Southeast Asia 2017 (B.Grimm Power)
- 2017 Best Institutional Broker, Best Private Wealth Management Bank
- 2016 10th 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/Hattha kaksekar, Best Investment Bank in Thailand, Best M&A House in Thailand, Best Wealth Management Bank in Thailand
- 2015 Best Bond Deal of the Year in Southeast Asia (CPALL's THB 20 billion unsecured debt)
- 2015 Best Investment Bank in Thailand

The Asset

- 2017 Best M&A Adviser, Thailand
- 2017 Best IPO, Thailand (B.Grimm Power)
- 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

Asia Money

- 2017 Best Private Bank
- 2015 Best Local Brokerage in Thailand



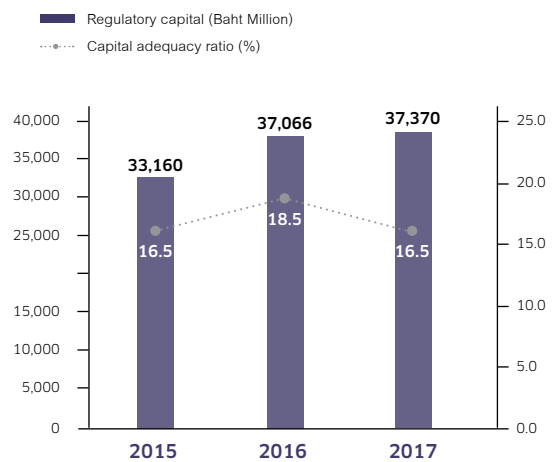
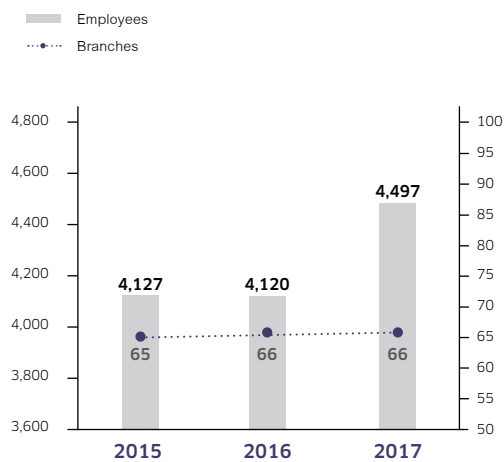
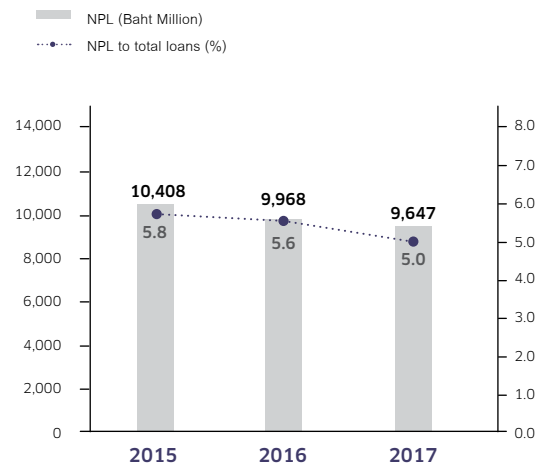
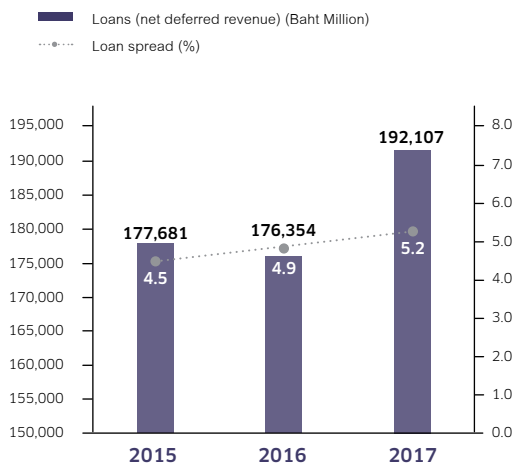
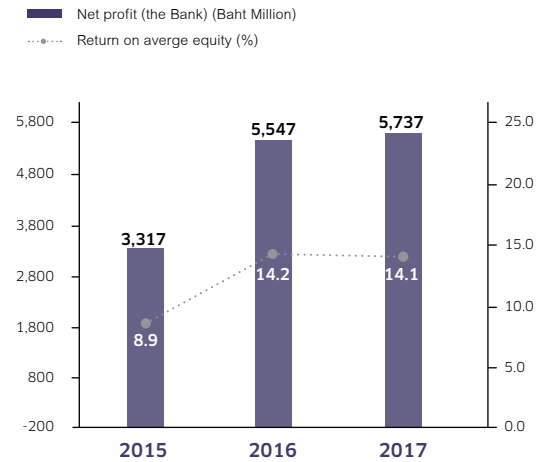
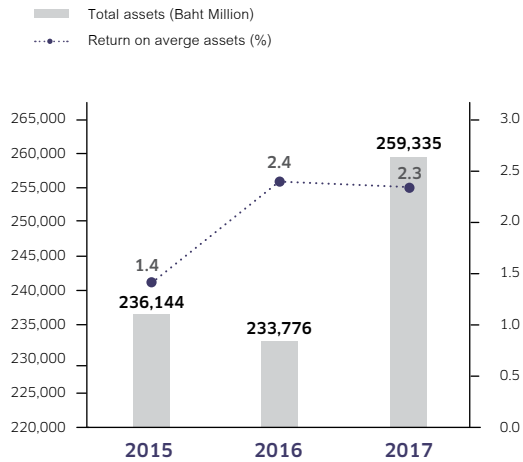
Financial Highlight

The Consolidated Financial Statements

(Baht Million)

Financial Position	2015	2016	2017
Investment in receivables (net)	2,899	2,554	2,170
Loans (net deferred revenue)	177,681	176,354	192,107
Allowance for doubtful accounts & troubled debt restructuring	(9,546)	(10,966)	(10,576)
Total assets	236,144	233,776	259,335
Deposits	104,327	109,923	132,878
Debt issued and borrowings	61,085	56,055	56,658
Total liabilities	197,988	193,259	217,787
Total equity of the Bank	37,929	40,298	41,332
Comprehensive Income			
Net interest income	9,449	10,433	10,628
Fees and services income (net)	3,471	3,707	4,055
Gain from sale of foreclosed assets	(381)	545	(209)
Total operating income	15,057	16,156	16,298
Total operating expenses	7,822	7,352	8,578
Impairment loss of loans and debt securities	3,208	2,313	763
Profit from operating before income tax expenses	4,027	6,490	6,956
Net profit (attributable to equity holder of the Bank)	3,317	5,547	5,737
Financial Ratio			
Return on average equity	8.9	14.2	14.1
Return on average assets	1.4	2.4	2.3
Loan spread	4.5	4.9	5.2
Loan to deposit and borrowing	107.6	106.3	101.8
NPL to total loans	5.8	5.6	5.0
Loan loss reserve to NPL	91.9	110.1	109.8
Cost to income ratio	44.1	45.4	48.2
Capital adequacy ratio (Bank only)	16.5	18.5	16.5
Branches and Employees			
Branches	65	66	66
Employees	4,127	4,120	4,497
KKP Share Information			
Share price - High (Baht)	41.0	60.8	79.8
- Low (Baht)	29.5	34.8	53.5
- Close (Baht)	36.3	59.0	79.3
- Average (Baht)	35.6	50.0	69.1
No. of share outstanding ('000 shares)	846,751	846,751	846,751
Market capitalization (Baht million)	30,695	49,958	67,105
EPS - Basic (Baht)	3.9	6.6	6.8
- Diluted (Baht)	3.9	6.6	6.8
PE ratio (time)	9.3	9.0	11.7
PBV ratio (time)	0.8	1.2	1.6
Book value per share (Baht)	44.8	47.6	48.8
Dividend per share (Baht)*	3.0	6.0	5.0
Dividend payout (%)	76.6	91.6	73.8
Dividend yield (%)	8.3	10.2	6.3
Credit Ratings by TRIS Rating Co., Ltd.			
Company rating	A-	A-	A-
Rating outlook	Stable	Stable	Stable

* Dividend payment for the year 2017 at the rate of Baht 5.00 per ordinary share, the interim dividend of Baht 2.00 per ordinary share was paid on September 22, 2017, while the remaining Baht 3.00 per ordinary share will be proposed to the meeting of the ordinary shareholders on April 24, 2018





Message from the Board of Directors

The overall economic situation in Thailand in 2017 had not significantly changed from the previous year. The political uncertainties and fluctuations of global financial and capital markets continued throughout the year resulting in a gradual domestic economic recovery mainly driven by the expansion of the export and tourism sectors. Domestic consumption and investment appeared to recover but not at the broad-based level. There was an increase in the demand of loans and investment among large corporates and high-net-worth individuals while the spending of medium to low-income individuals remained sluggish. The debt service ability of retail and SME clients remained constant. The overall market capitalization in the Stock Exchange of Thailand ("SET") and the Market for Alternative Investment ("mai") at the end of 2017 was valued at Baht 17.9 trillion, up 15.5% from the end of 2016. The average daily securities trading value in the SET and mai in 2017 equaled Baht 50,114 million, a slightly decrease of 4.6% from 2016. The SET index at the end of 2017 closed at 1,753.71 points, up 13.7% from 1,542.94 points at the end of 2016. However, in 2017, market volatility was at the lowest level over the past ten years. All of the above-mentioned factors brought both negative and positive impacts on Kiatnakin Phatra Financial Group's ("the Group") business performance which varied among each business type.

The transformation of the Group has been continually carried out over the past five years through various activities since the merger of the Bank and Phatra Capital Public Company Limited including business model transformation, a comprehensive series of

product and service launches, working standard and efficiency enhancement in all dimensions and personnel development in order to ensure the Group's competitive capabilities to be on par with Thailand's leading financial institutions. With such incessant effort, the Group's business performance in 2017 has improved with satisfactory results. The Group's net profit and total comprehensive income was recorded at Baht 5,766.1 million and Baht 6,141.1 million respectively, which increased 2.8% and 5.7% from those in 2016. The return on average asset (ROAA) was at 2.5% and the return on average equity (ROAE) equaled 15%, which was ranked in the top tier of the banking industry.

In terms of the commercial banking business, the Bank's loan portfolio increased higher than the industrial average at 9.3% in 2017 after a continuous contraction since 2014 due to the Bank's loan growth in almost all loan products. The loan growth of corporate lending and commercial lending was recorded at 129.7% and 7.1% consecutively. Meanwhile, the growth of retail lending comprising auto hire purchase loans, personal loans, housing loans and micro SMEs loans was at 1.8%. Among all of the retail lending products, only auto hire purchase loans contracted by 8.1% YoY. For asset quality, the non-performing loan ("NPL") to total loan ratio was 5.0% at the end of 2017, improving from 5.6 % at the end of 2016.

For the capital market business, Phatra Securities Public Company Limited ("PTSEC"), which is a company in the Group, had a total market share in the securities brokerage business in 2017 at 4.7%, ranking fifth among thirty-eight brokers. The assets



of high-net-worth individuals under advisory at the end of 2017 totaled approximately Baht 447 billion, up from approximately Baht 379 billion at the end of 2016. In 2017, PTSEC was appointed as a financial advisor in mergers and/ or acquisitions for major corporations, in financial restructurings and in the issuance of five financial instruments with a transaction value of more than Baht 200,000 million. In addition, PTSEC was also appointed as a book-runner for five overnight placements with a total value of Baht 7,352 million. There were also fifteen debt instrument underwritings in 2017 with a total transaction value of Baht 83,340 million. Meanwhile, Phatra Asset Management Company Limited operating mutual fund and private fund businesses, had a satisfactory performance in 2017 with an increase in revenue of 70.1% YoY while the asset under management totaled approximately Baht 88,400 million, up from 2016 by 67.6%.

In addition to the above-mentioned financial results, in 2017 the Group had significant developments in several aspects for its competitive efficiency and sustainable growth. These included portfolio for property financing loan, global investment service, structured products, KK Phatra Smart Settlement (a settlement account for securities trading and/ or making transactions with PTSEC), KKGEN Protect Link, KKGEN Invest Link including service channel development in response to National e-Payment policy, etc.

The Group has improved its risk management practices in a range of areas, such as Bureau Score for personal loan, home loan and used car loan products; Balance@Risk for the debt collection process; development of product programs, early indicators and account management with the aim to improve portfolio quality management; development of tools for daily market risk management and efficiency enhancement for the single lending limit system. The Group also carried out preparations for risk management of new products and services

such as single stock futures and debenture underwriting including new regulations to be applied in the future, namely IFRS9 and Basel III.

In terms of information technology, the Bank strives to continuously develop service systems in order to extend service areas and strengthen the IT system security for our clients. In 2017, the Bank implemented IT infrastructure and developed its core banking system to elevate capabilities to offer financial products and services. With such effort, in 2017, the Bank was awarded the CISO of the Year and Best Application Security Award from Network World Asia CISO Awards 2017.

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 2017, after a careful study of the Corporate Governance Code for Listed Companies 2017 (“CG Code”) released by the Securities and Exchange Commission, the Board of Directors contemplated the suitability of such CG Code in order to apply it to the Bank’s business context for long-term satisfactory business performance and sustainable value creation of the Group. Furthermore, the Bank’s contribution also covers collaboration with the Thai Bankers’ Association for the improvement of the Banking Industry Code of Conduct to meet society’s expectations; creating business ethical standards and enhancing clients’ trust in fair services and accurate product information. With this great commitment to elevate good CG practices, the Bank has achieved numerous governance honors and awards including an “Excellent” rating from the annual corporate governance survey in the year 2017 from the Thai Institute of Directors (IOD) and the awarding of five logos from the IOD.

In terms of anti-corruption, the Bank intends and is committed to taking a stand against corruption in any form by strictly adhering to the

Guidelines for Business Conduct Policy, Corporate Governance Principles, Anti-corruption Policy and regulations according to Thai laws on anti-corruption. Consequently, the Bank and its subsidiaries have been re-certified as full members of Thailand's Private Sector Collective Action Coalition Against Corruption in 2017.

Additionally, the Bank realizes the importance of its responsibility to society, the community and the environment. Therefore, its business operation strictly complies with the written policy for conducting business with responsibility towards society. Consequently, KKP has been nominated by the SET as a Thailand Sustainability Investment 2017 and the Bank has been selected by THAIPAT's ESG Rating Unit as one of the 100 listed companies on the list of ESG100 in the year 2017 for outstanding sustainability performance on environmental, social and governance aspects for the third consecutive year.

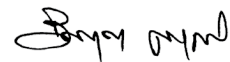
For the year 2018, the challenges facing the Group's business operation are the direction of the global economy and trade, the health of the domestic economy, tourism, export, price trends

for agricultural products, household debt, NPLs, public and private investment and financial technology. The Group will carefully operate its business in accordance with its vision to become a financial institution which enables 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 by continuing to focus on improving its personnel and information technology, generating innovations and know-how as well as embracing adaptability in this fast-moving environment in order to further its competitive advantage. 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 business 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 business and securities business 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. 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 shares in KKS and KKF via PHATRA at the ratio of 99.96%.

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

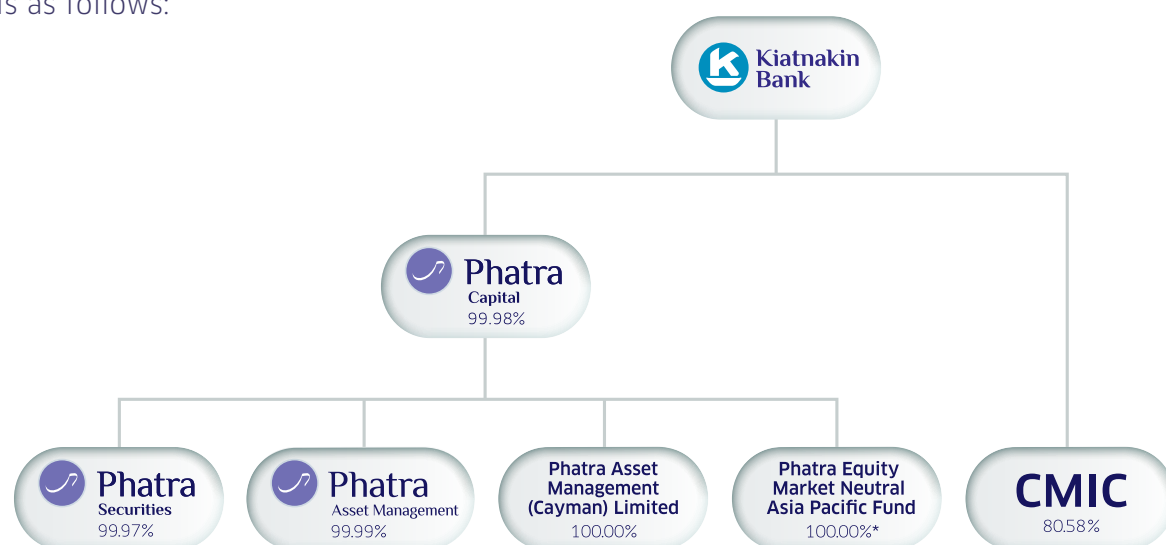
trading ticker from "KK" to "KKP" effective from August 1, 2013 onwards.

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. Later, on September 1, 2016, KKTRADE was renamed Yuanta Securities (Thailand) Company 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. CMIC Development Company Limited ("CMIC"), another subsidiary company, operates the office rental and property management business for the Bank and subsidiary companies. 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 asset management companies, and Phatra Equity Market Neutral Asia Pacific Fund, which is an investment management in overseas securities company.

The shareholding structure of the Group is as follows:



*Management Share with Registered Capital of USD 50,000

In addition, the Bank 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

PHATRA is a holding company operating an investment business. PHATRA has paid-up capital of Baht 1,051,551,200.

2.2 PTSEC

PTSEC operates securities businesses, which are securities brokerage, securities dealing, underwriting, securities borrowing and lending, 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 Securities and Exchange Commission ("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 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)

Phatra Asset Management (Cayman) operates offshore asset management business and has paid-up capital of USD 50,000.

2.5 CMIC

CMIC operates office rental and property management business for the Bank and subsidiary companies and has paid-up capital of Baht 230,000,000.

Corporate Strategy

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

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

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

Corporate Value : We believe in...

- Creating efficiency through Basis of Power and Potency (Passion, Diligence, Consciousness and Investigation)
- Coexisting like living in a traditional Thai village
- No compromise in service excellence
- Embracing globalization
- Specialization and teamwork

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 keeping its operating cost at a competitive level.

Major Developments

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 at that time. 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 the 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 focuses 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 accounts, the Bank introduced KK Free 55 Up to individuals, whose age are 55 years and up, for tax benefit as specified by the Department of Revenue.

- 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.

- 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 savings or current account at any Thailand Post branch.

- New Services via 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 Service 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 savings or current accounts. Upon the completion of buying, selling or switching orders, the Bank will send a SMS 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 investments for future sustainability.

Progress in Bancassurance Business

On December 18, 2014, the Bank entered into a bancassurance exclusive partnership agreement with Generali Life Assurance (Thailand) Public Company Limited ("Generali") for the consecutive period of fifteen years, starting from 2015 onwards to solely distribute life insurance, health insurance and personal accident insurance from Generali through various channels of the Bank. 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 service 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 the SET Index conditions, employing market-neutral strategy via long/short positions. Given its low correlation with the SET Index, the fund can be considered 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 assessments were disclosed in Form 56 - 1 and the annual report of the Bank;
- All committees under the Bank's Board of Directors' supervision prepared their committees' annual reports and disclosed them in Form 56 - 1 and the 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 being 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, executed a sale and purchase agreement for the sale of all shares in KKTRADE with Yuanta Securities Asia Financial Services Limited on April 27, 2016.

After the parties 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. Later, on September 1, 2016, KKTRADE was renamed Yuanta Securities (Thailand) Company Limited.

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. 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 PRIORRITY 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 the 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 auto hire purchase loan, besides the product innovations, the Bank developed various sales and service models during the year 2015 - 2016. Each model has different standard and uniqueness for serving different partners' needs, e.g. captive finance and preferred partner.

- Official Launch of Phatra Edge Business

With more than fifteen years of 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 have 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, travel 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 protect cardholders' data at the international standard level.

There are four types of KK debit cards: 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, loss of sight and total permanent disability due to accidents; 3) KK Trust Card - offers additional protection for loss of life and medical expenses due to accidents; and 4) KK Protect Card - offers full accident coverage ranging from loss of life due to accidents, medical expenses, benefits

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 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 the need to present a bank book.

KK e-Account clients are able to open any type of savings 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 receipt and tax invoice for the latest payment, inquire about personal and home loans and request cash cards.

- Online Communications

The Bank realizes clients' media receiving behavior nowadays as well as the need for 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 messages, articles, images, audio and video. Also, they can make inquiries and give opinions and suggestions 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 Money Channel every

Monday at 11:00 - 11:30 hrs. Broadcasted clips are re-run at KK YouTube (www.youtube.com/kiatnakinlive).

Synergies within 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 (WIB) business, in which the Financial Markets Group and Corporate Lending Group of the Bank jointly work with the Investment Banking and Capital Markets 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 on the Board has increased from 33% to 42% in 2016. Also, the proportion of non-executive directors on the Board has increased from 53% to 75%.
- Further increased the scope of duties and authorities of the Board of Directors to encompass defining appropriate risk tolerance, ensuring operation is under the proper risk level and defining policy, strategy and guidelines 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 an 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.

2017

Development of Products and Service Channels

- Portfolio for Property Financing ("PPF")

PPF loan is a credit facility offered to high-net-worth clients of PTSEC who desire to acquire properties or enhance financial liquidity, as an asset owner, by putting their existing vacant land plot or a land plot with construction and financial assets to secure financing as collateral such as cash, ordinary shares of the SET100 (except KKP), unit trusts of property fund, REITs and infrastructure fund. In addition, the Bank plans to allow additional types of financial assets to be placed as collateral in the future.

- Global Investment Service for High-Net-Worth Clients

PTSEC has expanded its leading position in the private wealth business by offering Global Investment Service ("GIS") for high-net-worth clients with the aim to elevate the competencies in managing offshore investment through asset diversification worldwide, diversify investment risk and increase the opportunities for higher return on investment.

With more than twenty years of experience in the private wealth management business, PTSEC believes in key philosophies which include strict adherence to clients' utmost benefit and professional service. PTSEC therefore has upgraded its wealth management research team to Chief Investment Officer (CIO Office). The specialists who have expertise in various asset types will perform rigorous analysis to come up with a fair view of both the short-term and long-term investment outlook to accommodate asset allocation for clients' portfolios according to the clients' risk profile covering onshore and offshore financial products under the open architecture policy (not limited to products offered by PTSEC).

In providing advisory service to clients, financial



consultants, who are familiar with and understand the needs of the clients, will cater to the greatest convenience starting from consultative advice on investment portfolios set up to the submission of monthly reports to the Bank of Thailand. Clients can access their investment portfolio – both onshore and offshore investment – through the consolidated statement so that they can ensure all of their investment and financial assets are systematically managed.

- Issuance and Offering of Structured Products

Structured products are one financial instrument that has been offered by PTSEC for more than eight years for clients' investment. The structured products can have customized return and risk based on clients' preference. At present, the Bank and PTSEC are collaborating in the development and distribution of various structured products for the Group's clients, such as high-net-worth clients, corporate clients, etc. Such sophisticated products are suitable for target clients and their needs. With this sophisticated product offering, the Group therefore has become one of the key leading players in Thailand offering a wide variety of financial products.

- Deposit and Bancassurance Products

The Bank has offered KK Phatra Smart Settlement saving account ("KKPSS") for clients of PTSEC to service securities trading and other transactions with PTSEC. KKPSS requires no minimum amount for account opening, as well as no limit on withdrawal transactions and saving period. The product feature enables the clients to simply manage the liquidity and link to the investment. In addition, the clients will also earn KKPSS interest as high as a fixed deposit account.

In terms of Bancassurance product, the Bank has developed unit link products, namely KKGEN Protect Link and KKGEN Invest Link that bundle insurance and investment enabling clients to enjoy the benefits from life protection and investment return. The clients can select various types of funds and switch the funds according to the conditions specified.

- Development of Retail Lending Business

Originally, the Bank operated the retail lending business by focusing on the auto hire purchase loan

and operated marketing activities mainly through car dealers and branch network of the Bank. Later on, the Bank changed the strategy to focus on proactive client acquisition with a wide range of retail product offerings that comprise personal loan, home loan and micro SME loan to drive the Bank to be a quality credit house.

In 2017, the Bank developed the selling of retail loan products by carrying out proactive marketing activities via the Alternative Distribution Channel Group, such as mini booths that were set up on a rotation basis at office buildings in Bangkok, and KK Money Stations offering retail loan products so that those clients did not have to travel to the Bank's branches, etc.

In the initial stage, KK Money Stations offered loan products to clients residing in industrial estates, housing development projects, leading organizations and various communities to provide clients' convenience during the loan application process. The clients looking to borrow can immediately submit their loan applications at KK Money Stations, with the Bank staff at the ready to provide consultative advice in order to serve the clients' needs.

For the auto hire purchase loan, since 2014 onwards, the Bank has put the emphasis on service model development that distinguishes from the market, such as captive finance partnership with Suzuki, and preferred partner model (service model with medium to large used car dealers). In 2016 - 2017, the Bank developed additional new service models, such as auto hire purchase loan for the used car market (KK Car Plaza) and the online model for loan applications. Moreover, the Bank developed the underwriting process to shorten the turnaround time to within 2 - 3 hours in certain areas and will expand to cover various retail loan products in all areas by 2018.

- Development of Products in Response to National e-Payment Policy

The Bank has developed multi-channels to support Thailand's National e-Payment roadmap. These include PromptPay registration for both individual and corporate clients, single fund transfer to accounts registered with PromptPay (mobile phone number,

identification card number and e-wallet number), bulk fund transfer to accounts registered with PromptPay (mobile phone number, identification card number and e-wallet number), making bill payments through biller list by using KK e-Banking or branch channels, etc.

- Remittance Service

In 2017, the Bank has acquired two more partners for remittance services which are Merchantrade Asia Sdn Bhd and DollarSmart Global Pte Ltd. Furthermore, the Bank has expanded its service with RIA Financial Services for clients who wish to receive the money transferred to their accounts in cash at all branches of the Bank nationwide.

- Offering Products and Services through KK Auto Application, Telesales and KK Contact Center

The Bank extended more channels to offer products and services including special personal loan acquisition through KK Auto Application, telesales and KK Contact Center. The Bank will select the list of qualified clients that are interested in the products and are capable of paying the loan installment and then propose the loan through those sale channels. In this year, the Bank also made an improvement in reminding existing hire purchase clients (as known as 'Call Reminder') on motor insurance through the Bank's telesales.

- Development of Service Channel via KK Contact Center

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 2017, 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 for clients. The new services are:

- Request the most recent monthly copy of vehicle tax invoice via phone service (IVR),
- Change cash card credit limit via phone service (IVR) and
- PTSEC's securities reservation via KK Contact Center.
- e-Certificate Service

The Bank developed a network platform to interface

with the Department of Business Development, Ministry of Commerce and entered into MOA to be able to provide e-Certificate of juristic person through the Bank. This service is aimed to provide clients with greater convenience and shorten the certificate request time for clients and business entrepreneurs.

- Online Channel Development of Phatra Edge

Phatra Edge has been developing its online channel to ensure the clients' accessibility to all types of platforms, such as website and mobile application - both for iOS and Android. The emphasis has been specifically put on the mobile application development to simplify investment by only requiring the fingerprint to log in through Touch ID. There are also new features made available to cover all types of clients' transactions, such as cash collateral transfer, securities transfer, etc. Furthermore, to add another level of client convenience, Voice Blast, or mutual fund insights including unbiased analysis and advice, is provided as an investment outlook update.

- OPTIMISE Magazine

The Group quarterly publishes the OPTIMISE magazine with the objective to gather and present KKP's expertise in finance and investment. The content of the OPTIMISE magazine includes interviews with financial VVIP/ KKP privilege clients, economic review, investment review, up-to-date lifestyle articles, etc. All stories reflect KKP's brand positioning: vision, expertise, reliability and Thai touch.

Development in Asset Management Business of PASSET

PASSET offers a wide variety of financial instruments to provide clients with a variety of choices and investment opportunities. In 2017, PASSET launched a new open ended fund namely Phatra Global Unconstrained Bond Fund - Hedged (PHATRA G-UBOND-H), which is a feeder fund investing in Jupiter Global Fund - Jupiter Dynamic Bond, managed by Jupiter Unit Trust Managers Limited, which has a highly specialized global fixed income fund investment team. Jupiter Global Fund - Jupiter Dynamic Bond emphasizes



investment of global fixed income spectrum with active management strategies. The fund has flexibility to make investment adjustments in response to rapid changes in market environment.

In addition to the development of mutual fund products, PASSET has also broadened the scope of private fund investment choices to structured notes underlying to the performance of foreign securities with the aim to offer clients more investment choices and opportunities.

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 while minimizing limitations with an aim to synergize the overall benefits and effectively elevate its competitiveness. Such synergies led to business development for the private client business, investment business and wholesale & investment banking business.

In 2017, the collaboration within the Private Client Group, comprising the Bank's Priority Banking Group, Wealth Management Department and Phatra Edge of PTSEC and PASSET, has been smoother resulting in business target achievement of the Bank's branches. A wide range of financial products and services have been offered for clients through cross-selling. In addition, the business performance of has been continually on the improving trend.

In terms of the wholesale & investment banking business, which encompasses the Financial Markets Group and Corporate Banking Group of the Bank and Investment Banking & Capital Markets Group of PTSEC, there is a collaboration to offer clients various financial products and services in terms of both wide integration (a bundle of products and services of each business unit) and deep integration (the more sophisticated products and services of each business unit). As a result, in 2017, approximately 25% of the wholesale & investment banking business' revenue was generated from such successful business collaboration while the clients had more awareness of the Group's products and

services. Moreover, various business units under the wholesale & investment banking business have been co-operating with other units, such as the Wealth Management Department, Commercial Lending Group and the Bank's branches for further product offering.

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 2017, the Bank additionally improved its corporate governance practices, which included the following:

- The Board of Directors acknowledged and made understanding on CG Code released by the SEC in order to apply for the replacement of the 2012 CG Code of the SET. The Board of Directors was aware of the roles and duties of the highest-level management of the Bank and hence, approved to put the principles of CG Code into practice to create the long-term satisfactory business performance and sustainable value creation.
- The Bank entered into the Memorandum of Understanding with the Thai Bankers' Association to jointly determine the Banking Industry Code of Conduct under the concept of commercial bank ethics for sustainable business practice, an integral part of the five year-strategic plan for the Thai banking industry. The Banking Industry Code of Conduct is a part of the effort to improve and standardize the commercial bank business ethics to meet society's expectation, as well as elevate the clients' trust on fair services and accurate information.
- Reviewed and revised the Bank's Corporate Governance Principles by making the adjustment and clarity for the aspects of notice of AGM, resolution and the minutes of AGM, role, practice and responsibilities of

the Bank towards clients, transactions with related persons or connected transactions, information disclosure, role, duties and responsibilities of the Board of Directors, leadership and vision, Board of Directors' meeting and roles and duties of the Chairman of the Board of Directors.

- Reviewed and revised the Guidelines for Business Conduct policy of the Group regarding confidentiality obligations, fair dealing, treating individuals with respect and dignity, compliance with law and commitment to promoting ethical conduct.
- Revised and defined additional roles, duties and responsibilities of the Board of Directors in writing. For instance, determine short and long-term business directions and strategic goals of the Group for both financial and non-financial aspects and efficiently allocate significant resources within the Group to ensure the objectives and goals are achieved; approve the Group's business plans, proposed by the Executive Committee, by taking into account all changes to the Group's ecosystem and factors; oversee to ensure adequate and efficient allocation of resources, for instance, capital investment, personnel and technology; promote the utilization of innovation to create business opportunities, improve business operation and risk management and enable the Bank to achieve the key business objectives and goals; define the proper remuneration structure to incentivize employees to fully perform their roles; ensure that the Group has adequate and proper internal control and audit systems in place to make certain that transactions are made efficiently and comply with relevant laws and regulations; study and understand the shareholder structure and relationship, which may affect the business management and operation; regularly review the sub-committees' roles and responsibilities at least once a year; appoint

the CEO nominated by the Nomination and Remuneration Committee; determine the performance evaluation criteria for the CEO; perform the annual performance evaluation of the CEO; appoint and establish a scope and authority of executives of the highest-level executive of PHATRA nominated by the Nomination and Remuneration Committee; review the Board of Directors' roles and responsibilities at least once a year to be in line with the changing business environment, industry, relevant factors, regulations and laws as well as enable the Bank to adapt in an appropriate and timely manner; and perform annual performance evaluation.

- Determined additional roles, duties and responsibilities of the Executive Committee in writing that cover short and long-term business directions and strategic goals of the Group for both financial and non-financial aspects by analyzing ecosystem and factors prior to proposing to the Board of Directors for consideration. Put the emphasis on adequate and efficient allocation of key resources; approve the unreviewed/ unaudited financial statements in order to disclose to the SET and relevant supervisory agencies; and consider the reviewed/ audited financial statements before proposing to the Board of Directors for approval.
- Defined additional roles, duties and responsibilities of the Audit Committee in writing regarding meetings with the Audit Committee of the Group, and ensure the Bank has proper and efficient information technology security and control.
- Defined additional roles, duties and responsibilities of the Compliance and Governance Committee in writing to ensure that the Bank and companies in the Group have established the process to take corrective actions for finding issues found by regulatory agencies, the external auditor, the internal auditor and the compliance unit, and consider



the assessment result of the Bank's corporate governance as carried out by external entities.

- Reviewed and revised roles, duties and responsibilities of the Nomination and Remuneration Committee in writing by adding to select and propose qualified persons as stipulated by relevant laws and regulations to be the highest-level executive of PHATRA and propose for the Board of Directors' approval.
- Determined non-audit services policy for the auditor to ensure the transparency and the auditor's independence.
- Revised the Bank's policies and guidelines for more clarity and to make sure they are in alignment with the changes of the regulatory agencies' regulations. These include for example the Bank's and the Group's Risk Management Policy, Capital Management Policy and relevant plans, Credit, Credit-like Transactions and Contingent Liabilities Review Policy, Securities Investment and Trading Book Position Management Policy,

Master Product Program for Derivatives, Delegation of Authority Policy for Commercial Lending and Counterparty Risk Limit Setting, Delegation of Authority Policy for Retail Lending - Product Program, Insourcing Service Providing Policy for Financial Business and Official Agencies, Dividend Payment Policy, Guidelines for Securities Trading of Directors, Executives, Employees and Persons who can access undisclosed information that is material to change in securities price, Liquidity Management Policy, and Internal Capital Adequacy Assessment Process - ICAA Procedure, Etc.

- The Bank, PHATRA, PTSEC and PASSET have submitted a self-assessment on anti-corruption measures to Thailand's Private Sector Collective Action Coalition Against Corruption ("CAC") in order to recertify the membership. The CAC has already approved the recertification of the membership for all four entities which will be valid for three years from the approval date.

Business Operations

The Group's business is divided into two main groups: the commercial banking business operated by the Bank and the capital market business operated by its subsidiaries which are comprised of PHATRA, PTSEC, PASSET and Phatra Equity Market Neutral Asia Pacific Fund. Both the commercial banking business and the capital market business work closely together by leveraging the expertise of each business in order to achieve combined results in terms of expanding the Group's scope of services and also to enhance overall business operations.

The Group defines three business objectives and sets business operation categories in accordance with the business objectives to ensure collaboration between the commercial banking business and the capital market business while placing the focus upon the synergy within the Group. The three business objectives are as follows: (1) credit business and other related transactions; (2) private banking; and (3) investment banking. For the credit business, which focuses on loan expansions to the retail and SME segments, the goals will be on building efficiencies, creating standards and identifying

new alternative channels to reach the targeted client segments while maintaining an effective risk management. For private banking, which is targeted on high-net-worth clients, 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 and clientele. The area of investment banking will combine the expertise of several functions within the Group to allow the Group to offer more comprehensive financial products and services to meet clients' demands.

Throughout the year 2017, the Group continued to place great emphasis on the three business objectives. The combined efforts and synergies created within the Group had led to significant improvement in the Group's business both in terms of the development of products and scope of services and competitiveness of the Group as a whole.

Revenue Structure of the Group

The revenue structure of the Group in accordance with the consolidated financial statements for the years ending December 31, 2015 - 2017 is as follows:

	2015		2016		2017	
	Baht Million	%	Baht Million	%	Baht Million	%
Interest income	14,776	98.1	14,869	92.0	14,844	91.1
Interest expense	5,328	35.4	4,436	27.5	4,216	25.9
Net Interest Income	9,449	62.8	10,433	64.6	10,628	65.2
Fees and services income	3,934	26.1	4,174	25.8	4,448	27.3
Commercial banking business	1,770	11.8	1,945	12.0	1,916	11.8
Capital market business	2,164	14.4	2,230	13.8	2,532	15.5
Fees and services expense	463	3.1	468	2.9	393	2.4
Net Fees and Services Income	3,471	23.1	3,707	22.9	4,055	24.9
Net gain (loss) on trading and foreign exchange transaction	877	5.8	577	3.6	268	1.6
Net gain (loss) on investment	336	2.2	203	1.3	178	1.1
Dividend income and profit sharing	321	2.1	442	2.7	674	4.1
Other operating income	603	4.0	793	4.9	494	3.0
Total Operating Income	15,057	100.0	16,156	100.0	16,298	100.0



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 for both new and used vehicles including passenger cars, multi-purpose vehicles and commercial vehicles for individuals and corporate entities. Clients can choose the payment scheme that best fits their needs. Our hire purchase products offer clients the choice of equal installments, unequal installments (flexi-payment) or 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 for the auto hire purchase business. As such, the Bank has continued to develop a variety of service models with partners to best suit 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, 2017, auto hire purchase loans accounted for 54% of the Bank's total lending portfolio and the ratio of new to used cars, including CarQuickCash, stood at 44% to 56%. 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 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) which helps reduce the interest burden and save on transfer fees. The Bank has also introduced unequal installment terms, which has a timely process and no transfer fee of car registration, to help clients choose the option which best fits their needs.

- *Personal Loan*

The 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 to support the liquidity needs of borrowers and (2) revolving loans (Happy Cash product) which are loan facilities in which the cash amount can be transacted by using the Bank's KK cash card for withdrawals via the ATM pool with the condition of a minimum repayment amount prescribed by the Bank. During 2017, the Bank has expanded personal loans to a new client base through its online channel, which is another alternative service channel. The Bank has also focused on improving the loan approval process and the interest rate that suits the market situation and target clients to elevate the Bank's competitiveness, 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 the purchase of new and used houses, including housing loan refinancing. 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 and various

pricing schemes to best fit each target client's needs.

- *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 businesses which includes the service industry and the 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. The Bank also offers 'Program SME' loans under the name KK SME Car3x, which is an installment loan using vehicles as collateral with a credit line of up to three times the collateral value with a Baht 5 million maximum loan amount. In addition, the approval criteria is more flexible and faster than the existing micro SME loans.

- *Lombard Loan*

Lombard loan is a multi-purpose credit facility offered to high-net-worth clients of PTSEC who require loans for their investment opportunities or for personal use by using financial assets as collateral such as cash, ordinary shares in the SET100 (except KKP), unit trusts of property fund, REITs and infrastructure fund, etc. There are two types 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.

- *Portfolio for Property Financing Loan (PPF)*

PPF is a credit facility offered to high-net-worth clients of PTSEC who wants to acquire real estate or to increase financial liquidity as an asset owner by using land or land with buildings and financial assets as collateral such as cash, SET100 securities

(except KKP), unit trusts of property fund, REITs and infrastructure fund, etc. In addition, the Bank plans to allow additional types of financial assets to be placed as collateral in the future.

- *Retail Deposit and Investment*

The Bank provides a full range of financial products and services to match our clients' needs. The Bank offers products and services for both individuals and corporates. The Bank also offers products for cooperatives and financial institutions by launching the KK Cooperative Savings and KK Financial Plus. Our clients can enhance their wealth through KK Smart Investment Service (KKSIS) which is an automatic service between deposit and investment accounts. To provide our clients with added convenience, the Bank also provides KK e-Account which allows clients to only show their identification cards (Smart Card) to receive banking services. Moreover, the Bank has developed a new savings product "KK Phatra Smart Settlement (KKPSS)," which is used as a settlement account. The savings account has a higher interest rate than other savings of the Bank. There is no restriction for deposit and withdrawal transactions. It provides convenient money transfer service through PTSEC between the primary account and the secondary account without any transaction fee, thereby maximizing liquidity and optimizing investment for our clients.

- *Bancassurance*

The Bank aims to ensure that bancassurance will be beneficial for clients for the mitigation of potential risk and damage which may be incurred in the future. 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 to be 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 each client group of the Bank. The Bank offers various insurance products as follows:



1. Life insurance – the Bank offers consultation and financial planning on products such as savings, whole life and various types of credit life insurance – both retail and commercial lending – offering debt obligations coverage to help reduce the financial burden arising from unexpected events, for example auto hire purchase, personal loan, housing loan, floor plan lending, etc. In 2017, the Bank together with our partners developed and distributed various new insurance products, such as KKGEN Unit Link (Unit linked insurance) by offering both single premium and regular premium, with varying protection and benefits to best fit each target client group's needs.
 2. Non-life insurance – the Bank provides short and long-term protection on insured buildings and assets placed as the Bank's collateral including life, health and properties of the insured and relevant parties as stated in the insurance policy. The insurance protection is offered for both short-term (1 year) and long-term (3 and 5 years) such as fire insurance, motor insurance, all-risk insurance, marine and inland insurance, etc.
- *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 higher. The Bank analyses the clients' needs and offers clients a wide range of funding and wealth products and services, such as deposits, investment-related products covering all types of mutual funds – fixed income funds, equity funds, asset allocation, bonds and bancassurance, namely savings, annuity and life insurance products suited for the needs of each individual client.

The main PRIORITY services are:

- PRIORITY deposit – comprises several types of accounts, specially selected for our clients to choose from. The Bank provides solutions for all clients' financial needs with attractive interest rates.

- PRIORITY investment – provides advice on our clients' investment plan to best fit the clients' financial goals through the Bank's relationship manager at the Bank's branches together with a team of financial experts from PTSEC. There are two types of services. 1) Phatra Wealth Management is offered for clients with a portfolio value of Baht 30 million and greater who are interested in diversified investments. The Group's financial experts will provide advice on appropriate asset allocation to ensure the proper investment proportions while paying attention to all relevant angles of the clients' financial status to ensure the best fit advice on risk management for each individual client. 2) Phatra Edge is the financial planning service for clients with a portfolio value of Baht 2 million which offers greater coverage for tax planning, retirement planning and educational planning for their children through investment allocation strategy and appropriate risk management scheme.

In addition, to provide clients with investment choices, the Bank acts as a mutual fund selling agent for PASSET and has formed a business alliance with insurance companies to conduct bancassurance business through the Bank's distribution channels. The Bank also provides online services through e-Banking and Mobile Banking/ Investment, for greater convenience in self-service transactions.

Besides our PRIORITY services, the Bank also gives various PRIORITY privileges throughout the year with exclusive events aimed at increasing knowledge in finance and investment for our clients, such as KKP Focus Forum - an update on worldwide investment situations - together with investment advice and NeXtGen Program from Study to Success which is a serial yearly seminar that aims to prepare our 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 aim is to extract synergies

from the merger by leveraging strength from existing PTSEC relationships with clients mainly listed companies in the SET and other large corporations where PTSEC is providing investment banking, financial consultancy services and raising capital through the sale of assets and other financial and investment services. This is done in conjunction with the Bank's expertise in offering credit products. As a result, the Group is able to provide a full financial service platform for clients. Additionally, this new segment allows the Bank to diversify risks outside those of auto hire purchase and real estate lending.

The Corporate Banking Group is responsible for offering credit facilities to all industries under the credit policy of the Bank but does not include those already managed by the Commercial Lending Group. Our target market is listed companies, their subsidiaries and their affiliates, non-registered major companies, multi-national companies and cross border lending mainly in Southeast Asia. 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, e.g. share financing.

The Corporate Banking Group coordinates closely with PTSEC's team, the Financial Markets Group and other departments under the wholesale & investment banking group to offer various financial services to clients, resulting in a broader and deeper understanding of the targeted businesses. Under the wholesale & investment banking group, the Bank conducts the analysis and is able to identify target clients and provide them with the appropriate finance solutions. The Group will continue to grow assets and revenues with a suitable portfolio to broaden the Bank's revenue base and diversify risks, especially in respect to strategic risk and concentration risk of the Bank's credit portfolio.

As of December 31, 2017, the total outstanding Corporate Banking portfolio increased significantly to Baht 15,807 million, or up by 130% YoY. This was supported by continuing expansion into a new client

base of seven business groups and also from the low base in the year 2016.

- *Commercial Lending*

The Commercial Lending Group provides services to the following five sectors in which the Bank has expertise comprising 1) real estate lending 2) apartment and hotel lending 3) logistics lending 4) commercial and industrial lending and 5) construction materials and machinery lending. As of December 31, 2017, the total outstanding Commercial Lending portfolio was Baht 44,283 million, increased by 7% YoY. 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 provincial areas. Real estate lending is project finance that aims to facilitate the sales of real estate project development. The Bank concentrates on facilitating our clients with 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 has a wide variety and full range of financial products to facilitate real estate developers, such as long-term loans for both project financing and investment in future project development, working capital, Aval and LG limit, etc.

The Bank is equipped with a qualified credit team and technical specialists who 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 which can provide client support on project management. These supports are aimed at enhancing the clients' business potential. The Bank also continually develops the working process to ensure a timely and efficient credit approval process.

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 to ensure the standard is met. The Bank offers a wide range of products to support the entrepreneurs such as long-term loans for both new construction projects and renovation projects, working capital, Aval and LG limits etc.

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

5. Construction Materials and Machinery Lending

Construction materials and machinery lending provides support for businesses related to the construction industry and businesses engaged in the sale and rental of construction machinery. Facilities consist of revolving credit lines, long term loans, re-financing 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 2017

were as follows:

1. Annual 2017 Seminar – combining clients in real estate and apartment and hotel businesses. The seminar focused on providing participants with economic updates, industry trends and 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, effective media utilization (through Facebook/ Google) etc.
3. House and Condo Exhibition - The Bank participated in the 36th and 37th House and Condo Exhibition to support our clients' sales 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 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 operations which is a similar line of business to those operated by the Bank's subsidiaries. Presently, the Bank holds total unit trusts in six mutual funds, all of which are under liquidation process.

Special asset management is managed by the Debt Restructuring Department and the NPL & NPA Support Department which are responsible for handling debt restructuring negotiation and the Asset Management Department which is responsible for sales of foreclosed assets. The details of assets for sale, such as their location, size and price range are provided via www.kkasset.com for viewing by clients and interested parties.

- *Financial Markets*

In 2017, the Financial Markets Group continued

its business growth by offering financial products and services suitable for business operation and investment needs of clients who are financial institutions, local and foreign corporations and individual investors. In the previous year, the Financial Markets Group improved the work process to increase efficiency and expanded the scope of products in response to clients' needs and to boost the number of clients.

Due to the economic growth and volatile foreign exchange market in 2017, the foreign exchange trading volume and the number of hedging deals – from both existing clients and new clients – were higher than those in the previous year. Moreover, given a long period of low interest rate environment, clients were searching for new investment opportunities which could generate a higher return. In response, the Financial Markets Group offered structured notes as an alternative product, resulting in significantly higher issuance amount than the previous year. In terms of fixed income dealing business for both government and corporate bonds (time-to-maturity > 1 year), it was relatively active. The Financial Markets Group achieved the 8th rank in this business and earned a 6.38% market share, which moved the Financial Markets Group into the top ten dealers' list. For the short term bill of exchange transactions, the Group continuously monitored and analyzed the market for any risky behaviors to ensure the quality of products. As a result, the Financial Markets Group still maintained the no. 1 ranking with a 29.15% market share.

The Financial Markets Group is committed to elevating the standard of our financial services and products and continues to try to expand the scope of our services. The Financial Markets Group has set up the Debt Capital Market Department (DCM) to handle the primary bond issuance to serve corporate clients and comply with the tighter regulations. The Financial Markets Group continues to emphasize systematic collaboration within the Group in order to develop and manage strategies

and innovate financial products for clients' satisfaction. Lastly, human resource development is also the key focus which is the main driver to achieve full efficiency of our financial market business.

In addition to the developments of products and services offerings, the Bank also places great emphasis on the continuous improvement of its internal processes through the Bank's support functions which comprise 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

Operation has put the focus on efficiency improvement and development over the past year in response to changes in business requirements and clients' needs in order to achieve business



goals effectively and efficiently.

Furthermore, the Bank continued to develop and enhance its core business operations in terms of deposit services, credit services and other related services under the new core banking system project for 2017 - 2018. The new development will enable the Bank to significantly improve the speed and capabilities in providing services and responding to business needs, which is an important part of long-term competitiveness.

Information Technology Development

In 2017, the Information Technology Group of the Bank continued working on the new core banking project to enhance CASA and loan products and related service capabilities which has been underway. Meanwhile, the Bank also carried out the new general ledger project to improve the Bank's accounting capabilities.

The year 2017 was also an important year for rolling out first time PromptPay, the interbank electronic transfer and bill payment infrastructure under the National e-Payment program. The Bank opened PromptPay functionalities to several channels including internet banking and mobile banking. Moreover, there was also enhancement made to allow for hire purchase transactions through the corporate internet banking channel.

In 2018, the Bank will continue to support and commit to building more PromptPay functionalities to allow for full-feature electronic bill payment together with members of the Thai Banker Association. This will enhance the flexibility in the execution of payment transactions for both clients and the Bank.

The Information Technology Group strives to continuously develop service systems in order to penetrate more clientele and strengthen the Bank's IT system security. In 2017, the Bank improved its IT infrastructure to be "Active-active Data Center," a follow-up action after completing a data center upgrade in 2016.

In 2017, the Bank was awarded the CISO of the Year and Best Application Security awards from

Network World Asia magazine. This illustrated the commitment of the Bank for clients on ensuring maximum IT security in our digital services. The Information Technology Group also lends support to other developments throughout the organization to ensure that the Bank's products and services can be developed in a timely matter with effectiveness and in accordance with the business requirements.

Risk Management Development

- Risk Management Overview

For 2017, the Group still aimed to synchronize risk management with business operations under acceptable risk levels. Risks of the Group arise from both internal and external factors. To effectively cover and manage significant risks, the Group has classified risks, according to the Bank of Thailand, into five main risk types specifically credit risk, market risk, liquidity risk, operational risk and strategic risk. In addition, the Group has employed internationally-accepted risk management procedures of identification, measurement, assessment, monitoring and controlling risks. The Risk Management Committee and sub-committees function in reviewing and commenting on risk management policies and guidelines, as well as tracking and reporting an overview of risk management to the Board of Directors. Meanwhile, the Risk Management Group and subsidiaries' risk management units, which are independent from other business units, regulate and support risk management of the Group.

The Group improved many aspects of risk management in 2017, for instance, the development of both new tools and existing tool enhancements for better risk management, more personnel in risk management departments to enhance the operation efficiency and to provide sufficient liquidity risk management by Basel III requirements, as well as to encourage good risk management culture.

- Development of Risk Management

In the year 2017, the Group has enhanced the

efficiency of risk management in several aspects, for example;

1. Application of existing tools and development of new tools such as application of Bureau Score on personal loan, home loan and used car loan products; application of Balance @Risk tool in the debt collection process on personal loans and auto hire purchase loans; development of product programs, early indicators and account management to improve the quality of portfolio management and increase efficiency in the debt collection process; development of tools and systems for currency (US/THB) option to control daily market risks and to calculate the market risk capital; dashboard enhancement used in credit risk management of corporate and financial institution lending to be more precise and stable and development of more efficient single lending limit (SLL) system.
2. Preparation to support future systems and requirements by the Bank of Thailand such as the newly-introduced IFRS9 accounting system which will be launched in 2019 and liquidity risk management in accordance with the Net Stable Funding Ratio (NSFR) in Basel III pending promulgation by the Bank of Thailand.
3. Preparation for the readiness of the Market Risk Management Department for new product launches to support the activities of the Financial Markets Group, such as single stock futures, treasury lock swaps, underwriting portfolio and undermanaged foreign exchange plain call/ put options.
4. Stipulation of new policies and guidelines including process improvement such as the launch of construction loan guideline, the guideline issuance of inventory loans for used car dealers with credit limit greater than Baht 20 million, the implementation of mitigation packages to help clients affected

by floods and the improvement and system development processes to serve the debt collection process.

Apart from new developments of risk management, the Group has also continued conducting actions beneficial to aspects of risk management from the previous year, for instance:

1. Enhancement of risk management roadmap: Its purpose is to improve credit risk management by applying IRB-based capital requirements and to navigate long-term risk management. It consists of two major parts: development of data warehouse infrastructure and analysis tool development of risk management and capital adequacy.
2. Risk management involvement in business units: The Risk Management Group has been incorporated into business units' operations from product and service developments/ enhancements to operating procedures.
3. Training on risk management: Trainings have been organized to build understanding of risk management and stimulate risk awareness leading to a good risk management culture of the Group.
4. Capital sufficiency: The Group has developed a risk management procedure for assessing capital adequacy with Internal Capital Adequacy Assessment Process (ICAAP) under supervisory capital guidelines in accordance with 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 2018, the Group will place high attention on risk management and focus on the development of quantitative risk assessment tools to enhance efficiency and accuracy in risk management while promoting risk management cooperation with other business units. This includes improvements on risk management process, tools and/ or



procedures which better reflect the Group's future risk exposures.

- *Risk Management Policy and Procedure*

The principal policy in risk management 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 according to the risk management policies and guidelines of the Group. The Risk Management Group's role is to regulate, monitor and review the mechanics sufficiency of risk management and controls for each business unit and department. Furthermore, a specific capital amount is allocated to each business unit, depending on business and transaction risks and exposures, to support 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 the acceptable risk appetite to suit the Bank's risk level and supervises the business conducts to comply with the specified risk appetite. Additionally, the Board of Directors supervises the Risk Management Committee to ensure the development of policies, procedures and control measures of risk management which at least covers credit risk, market and investment risk, liquidity risk, operational risk, reputational risk, strategic risk and other regulations. The Board of Directors is also responsible for consistently approving and reviewing the policies and practices.

- Risk Management Committee

The Risk Management Committee plays a key role in defining risk management policy, overseeing the adequacy of policies and risk management systems of the Group and reporting to the Board of Directors. It also monitors risk levels to be within the level of risk appetite acceptable to the Group aiming to limit risks in a predetermined range while earning

an appropriate rate of return.

- Operational Risk Sub-committee

The Operational Risk Sub-committee is appointed by the 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 as well as providing comments to the Risk Management Committee.

- The Credit Risk Management Sub-committee

The Credit Risk Management Sub-committee is appointed by the Risk Management Committee. The sub-committee is responsible for providing and considering the sufficiency and suitability of guidance, policies, strategies, frameworks and tools for credit risk management. The sub-committee assesses and/ or reviews policies relating to lending and creating obligation 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 and tracks the quality of credit portfolio as well as the quality of credit-related approval and process for supervising and recommending on credit risks to relevant business units.

- 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 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. It 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 significant 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 level 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

The Office of Compliance as the independent control function of the Bank is responsible for supervising the compliance risk with the purpose to enable business units within the Bank to operate in compliance with laws and regulations of regulatory agencies and relevant regulations of the Bank with an emphasis on working as a business partner in cooperation with business functions and other support functions within the Bank. While the principal responsibility for compliance lies with business managers and their teams, 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.

During 2017, the Office of Compliance focused on studying and preparing the Bank's operations to comply with the Banking Industry Code of Conduct as commercial banks have signed a memorandum of understanding to conduct their business with integrity, with emphasis on the operation balance and the impact on the Bank's shareholders and clients. Also, the Office of Compliance provides internal planning processes to support three new regulations from the Bank of Thailand, which are as follows.

- 1) The Market Conduct Regulation with an aim to improve the Bank's service quality in the long term, the Bank shall adhere to practice in order to operate its business and respond to the clients' needs with fair dealing.
- 2) The Service Channels of the Commercial Banks Regulation that aims to manage the Bank's services channels, such as banking branches, electronic branches, digital channels, telesales and sales agents to service all clients efficiently and also set up client service standards, including appropriate financial service risk management.
- 3) The Information Technology Risk Regulation oversees the Bank to maintain the information technology security program and risk management, which focuses on establishing policy, roles and responsibilities of the Board, organizational structure, processes and also personnel management services related to risk management of information technology.

The Office of Compliance educates, provides advice and suggests guidelines in conducting business and treating clients fairly, according to the 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, PASSET and Phatra Equity Market Neutral Asia Pacific Fund 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, mai and Thailand Futures Exchange (TFEX).

In 2017, PTSEC ranked fifth in market share, accounting for 4.69% of the total trading value of combined SET and mai (excluding proprietary trading) and generated revenue from brokerage fee in the amount of Baht 1,157.11 million. The proportion of revenues from institutional investors and high-net-worth individuals was 58.91% and 41.09% respectively.

Of the total institutional brokerage fee income earned in 2017 by PTSEC, local institutional client business accounted for 59.69%, comprising asset

management companies, provident funds, private funds, the Government Pension Fund, the Social Security Office and insurance companies. As of December 31, 2017, PTSEC had 46 local institutional clients which transacted at least once in the past year. Foreign brokerage income accounted for 40.31%, of which 73.39% 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 69.55 million, while income from securities borrowing and lending activities totaled Baht 19.14 million in 2017.

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 the 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 2017, the value of assets under advisory for all high-net-worth clients of PTSEC was Baht 446,719 million, from a client list of 15,137 accounts.

The table below illustrates the value of securities traded in the SET through PTSEC, brokerage fee and market share of PTSEC as of December 31, 2017:

	Local Institutions	Foreign Institutions	High-Net-Worth Individuals
Total trading values of PTSEC (Baht million)	247,727.26	551,501.17	226,769.26
Market share ⁽¹⁾ (%)	9.20 ^{/2}	7.46 ^{/3}	1.92
Brokerage fee (Baht million)	406.82	274.78	475.51
Proportion of brokerage fee (%)	35.16	23.75	41.09

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 ten analysts covering eighty-four companies. PTSEC's equity research covers an aggregate market value of 68% 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 to Merrill Lynch's clients under Merrill Lynch brand while PTSEC also distributes Merrill Lynch's 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, Star Petroleum Refining PCL, B.Grimm Power PCL, the issuance of exchangeable bonds of Charoen Pokphand Foods PCL into CP ALL PCL's shares, the issuance of Bangkok Dusit Medical Services' convertible bonds, the merger of Bangkok Dusit Medical Services Group, Phyathai Hospital Group and Paolo Hospital Group and the acquisition of Bank of Ayudhya PCL by Bank of Tokyo Mitsubishi UFJ, Ltd.






In 2017, despite the challenging environment, PTSEC continued 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 Thai President Foods Public Company Limited, Asset World Company Limited, Ticon Freehold and Leasehold Real Estate Investment Trust, Symphony Communication Public Company Limited and Principal Capital Public Company Limited, with combined transaction size totaling more than Baht 200,000 million.

Name of the Company		Details of the Project	Value (Baht Million)
	Thai President Foods Public Company Limited (TFMAMA)	Corporate restructuring through merger of four companies, namely President Holdings Co., Ltd., President Rice Products PCL, President Bakery PCL and Thai President Foods PCL	96,107
	Asset World Company Limited	Acquisition of assets from Thai Hotel Investment Freehold and Leasehold Property Fund, Thai Retail Investment Fund and Thai Commercial Investment Freehold and Leasehold Fund	80,000
	Ticon Freehold and Leasehold Real Estate Investment Trust (TREIT)	Conversion of property funds including Ticon Property Fund (TFUND), Tpark Logistics Property Fund (TLOGIS) and Ticon Industrial Growth Leasehold Property Fund (TGROWTH) to Ticon Freehold and Leasehold Real Estate Investment Trust (TREIT)	23,242
	Symphony Communication Public Company Limited (SYMC)	Divestiture of ordinary shares to TIME dotCom International Sdn Bhd through partial voluntary tender offer (PVTO) and the sales of newly-issued ordinary shares to existing shareholders of the company in proportion to their respective shareholdings (Rights Offering)	2,421
	Principal Capital Public Company Limited (PRINC)	Acquisition of ordinary shares from Alliance Medical Asia Co. Ltd.	2,000

For the equity market in 2017, PTSEC helped companies raise capital through the stock market for a total of Baht 14,770 million. PTSEC was appointed as a financial advisor and lead underwriter of B.Grimm Power PCL and Global Green Chemicals Public Company Limited in their initial public offering, and was appointed as a book-runner for three overnight placements with the total value of Baht 7,352 million, with details as follows:

Name of the Company	Details of the Project	Value (Baht Million)
 B.Grimm Power Public Company Limited (BGRIM)	Initial public offering	11,470
 Q House	Overnight placement	3,556
 Global Green Chemicals Public Company Limited (GGC)	Initial public offering	3,300
 B.Grimm Power Public Company Limited (BGRIM)	Overnight placement	2,500
 Workpoint Entertainment Public Company Limited (WORK)	Overnight placement	1,296

In 2017, there was the business growth of fixed income business continuing from the previous year. PTSEC serviced corporate clients in fifteen debt offerings with the total value of Baht 83,340 million as follows:

Name of the Company	Details of the Project	Value (Baht Million)
 Berli Jucker PCL (BJC)	Unsubordinated unsecured debentures 1/2017	40,000
 CP All PCL (CPALL)	Unsubordinated unsecured debentures 1/2017	4,500
 CP All PCL (CPALL)	Unsubordinated unsecured debentures 2/2017	3,000



Name of the Company		Details of the Project	Value (Baht Million)
	CP All PCL (CPALL)	Subordinated perpetual debentures 1/2017	10,000
	Home Products Center PCL (HMPRO)	Unsubordinated unsecured debentures 1/2017	4,000
	Muang Thai Leasing PCL (MTLS)	Unsubordinated unsecured debentures 1/2017	2,600
	Muang Thai Leasing PCL (MTLS)	Unsubordinated unsecured debentures 2/2017	4,000
	Ananda Development PCL (ANAN)	Unsubordinated unsecured debentures 3/2017	3,000
	Rojana Industrial Park PCL (ROJNA)	Unsubordinated unsecured debentures 1/2017	2,000
	BEC World PCL (BEC)	Unsubordinated unsecured debentures 1/2017	3,000
	Sumitomo Mitsui Banking Corporation – Bangkok Branch	Unsubordinated unsecured debentures 1/2017	4,000
	Khon Kaen Sugar Industry PCL (KSL)	Unsubordinated unsecured debentures 1/2017	2,000
	Siam Future Development PCL (SF)	Unsubordinated unsecured debentures 1/2017	500
	JMT Network Services PCL (JWD)	Unsubordinated unsecured debentures 2/2017	440
	L.P.N. Development PCL (LPN)	Unsubordinated unsecured debentures 3/2017	300

For 2018, PTSEC will continue to provide clients with suitable financial advisory services and focus on working with the Bank, partners and other stakeholders to offer more comprehensive wholesale banking solutions to its clients as well as strive to push for the further development of the Thai capital market by initiating new and innovative financing solutions to its existing and potential clients via non-traditional products that are suitable for each of its clients.

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 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 in the range of three to five years and covers both equity and equity-linked instruments, listed and private companies and also on-shore and off-shore companies. The Direct Investment Department searches for investment opportunity in companies that have strong business models and sustainable competitive advantage, have visible business growth opportunities, 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 opportunities, 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 department includes investment horizon, terms of investment and also divestment plans. 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 meetings 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, the Direct Investment Department may also utilize appropriate financial instruments, such as derivatives, for hedging purposes, which will be approved by the Investment Committee.

As PHATRA highly emphasizes on 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 to prevent any potential conflict of interest.

In 2017, 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 2017, the Direct Investment Department's portfolio had a market value of Baht 3,430 million. It generated a total profit of Baht 833 million, consisting of dividend income of Baht 66 million, realized gain of Baht 180 million and change in unrealized gain in the amount of Baht 587 million.

Equity and Derivatives Trading

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

1) Arbitrage Trade

The arbitrage trade is a 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 with a minimum of 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. The 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 with a minimum of 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. The 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 investors including 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 the 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 policies according to the investment value and liquidity of the 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 the case that the 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 2017, 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 (not including the maximum Baht 1,000 million for arbitrage trade strategy for trading SET50 futures with Phatra Absolute Return fund and expanding proprietary business for the department) and an extra cash limit maximum Baht 2,500 million for arbitrage trade which required approval from the

Investment Committee of the Bank. The Investment Committee had also set limits within the approved total cash limit for three investment strategies including maximum Baht 9,500 million for arbitrage trade (allows transfers from other strategies due to the lower-risk nature of the arbitrage trade) and an extra cash limit maximum Baht 2,500 million for arbitrage trade which requires approval from the Investment Committee; 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 2017, the department had net cash usage for investment of Baht 8,041 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 operated by the Hedge Fund Department focuses 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, VaR and statistical performance. It also sets the 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 2017, the department had an initial cash investment amount approved by the Board of Directors of PTSEC of not more than Baht 3,200 million. At the end of 2017, the department had net assets totaling Baht 2,006 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 funds.

2.4 Asset Management Business

PASSET, providing asset management services for mutual funds and private funds, has continued to develop and launch new funds, resulting in healthy assets under management (AUM) growth over the past three years (2015 - 2017). PASSET's AUM as of December 31, 2015, was Baht 45,259 million, and expanded to Baht 52,749 million, representing a growth of 17%, at the end of 2016. In 2017, PASSET experienced a 68% increase YoY in AUM, which stood at Baht 88,408 million at December 31, 2017 (including mutual funds of Baht 51,699 million, private funds of Baht 21,170 million and property funds of Baht 15,538 million).

PASSET has introduced a variety of products to broaden the scope of investment choices for investors for diversification and asset allocation. The key new fund launched in 2017 was Phatra Global Unconstrained Bond fund – Hedged (PHATRA G-UBOND-H), which is a foreign investment fund that feeds its investment into Jupiter Global Fund - Jupiter Dynamic Bond, providing investors with investment opportunities in global fixed income securities. The Jupiter Global Fund - Jupiter Dynamic Bond is managed by Jupiter Unit Trust Managers Limited, which has a highly specialized global fixed income fund investment team. Jupiter Global Fund - Jupiter Dynamic Bond is a global bond fund that can invest across the entire fixed income spectrum with active management strategies. The fund has flexibility to make investment adjustment in response to rapid changes in market environment.



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, 2017, 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
Northeast	6
South	6
North	6
Total	66

Branch	Address	Phone	Fax
Bangkok and Vintcity			
Asoke	209 KKP Tower A, Sukhumvit 21 (Asoke), Khlong Toey Nua, Wattana, Bangkok 10110	02-165-5555	02-841-5609
Seacon Square Srinakarin	55 Seacon Square Shopping Centers, 3rd Fl., Srinakarin Road, Nongbon, Pravet, Bangkok 10250	02-165-5555	02-721-9801
The Mall Bangkae	518 The Mall Bangkae, 3rd Fl., Phetkasem Road, Bangkae Nue, Bangkae, Bangkok 10160	02-165-5555	02-482-9610
Yaowarat	289 Yaowarat Road, Samphanthawong, Bangkok 10100	02-165-5555	02-223-1372
Siphaya	78 Trok Captain Bush (Charoen Krung 30), Bangrak, Bangkok 10500	02-165-5555	02-237-7884
Suksawas	178, 180, 182 Suksawas Road, Bangpakok, Ratburana, Bangkok 10140	02-165-5555	02-428-8798
Major Ratchayothin	234/2 Major Avenue Ratchayothin, 1st Fl., Ratchadaphisek Road, Latyao, Chatuchak, Bangkok 10900	02-165-5555	02-939-6179
Nakhon Pathom	992/2-3 Petkasem Road, Tambon Huay Jarakae, Amphoe Muang, Nakhon Pathom 73000	02-165-5555	034-272-404
Samut Prakan	89/8-10 Moo.5, Tambon Bang Muang, Amphoe Muang, Samut Prakarn 10270	02-165-5555	02-703-2650
Future Park Rungsit	94 Future Park Rungsit, 2nd Fl., Phahonyothin Road, Prachatipat, Thanyaburi, Phathutani 12130	02-165-5555	02-567-6088
Nonthaburi	68/30-32 Moo.8, Tambon Bangkrasor, Amphoe Muang, Nonthaburi 11000	02-165-5555	02-525-3056
Samut Sakhon	1400/98-101 Ekkachai Road, Tambon Mahachai, Amphoe Muang, Samut Sakhon 74000	02-165-5555	034-837-212
Silom	323 United Center Building, 2nd Fl., Silom Road, Silom, Bang Rak, Bangkok 10500	02-165-5555	02-237-1952
The Mall Bangkok	3522 The Mall Bangkok, 2nd Fl., Lat Phrao Road, Khlong Chan, Bangkok, Bangkok 10240	02-165-5555	02-704-9110
Central Festival Eastville	69, 69/1, 69/2 Central Festival Eastville, 3rd Fl., Praditmanutham Road, Ladprao, Bangkok 10230	02-165-5555	02-041-8902
Charoen Krung	273/8 Charoen Krung Road, Pom Prap, Pom Prap Sattru Phai, Bangkok 10100	02-165-5555	02-221-3148
Central Plaza Pinklao	7/222 Central Plaza Pinklao, 4th Fl., Boromratchonnani Road, Arun-Amarin, Bangkokknoi, Bangkok 10700	02-165-5555	02-434-9622
Central Plaza Rama 3	79/176 Central Plaza Rama 3, 4th Fl., Satupradit Road, Chong Nonsi, Yannawa, Bangkok 10120	02-165-5555	02-673-6416
Thong Lor	331/2-3 Soi Sukhumvit 55 (Thong Lor), Sukhumvit Road, Khlong Ton Nue, Wattana, Bangkok 10110	02-165-5555	02-185-2852
Phaholyothin Place	408/4 Phaholyothin Place Building, 1st Fl., Phaholyothin Road, Samsen Nai, Phaya Thai, Bangkok 10400	02-165-5555	02-619-0136
Central Plaza Westgate	199, 199/1, 199/2 Moo.6, Central Plaza Westgate, 3rd Fl. Tambon Sao Thong Hin, Amphoe Bang Yai, Nonthaburi 11140	02-165-5555	02-194-2844
Rama IV	1032/7 - 9 Rama IV Road, Thungmahamek, Sathorn, Bangkok 10120	02-165-5555	02-287-3579
The Mall Thaphra	99 The Mall Thaphra, 2nd Fl., Ratchadapisek Road (Taksin-Thaphra), Bukkaloo, Thonburi, Bangkok 10600	02-165-5555	0-2477-7162
Mahanak	1082/5 Boe Bae Mini Office Tower, Krung Kasem Road, Mahanak, Pom Prap Sattru Phai, Bangkok 10100	02-165-5555	02-628-0025
Fashion Island	587, 589, 589/7-9 Ramintra Road, Kannayao, Bangkok 10230	02-165-5555	02-947-5077
Central Plaza Bangna	587, 589 Central Plaza Bangna, 4th Fl., Bangna-Trad Road (Km.3), Bangna, Bangkok 10260	02-165-5555	02-398-5950
Paradise Park	61 Paradise Park, 2nd Fl., Srinakarin Road, Nongbon, Pravet, Bangkok 10250	02-165-5555	02-325-9150
Siam Paragon	991 Rama 1 Road, Pathumwan, Bangkok 10330	02-165-5555	02-610-9669

Branch	Address	Phone	Fax
Seacon Bangkae	607 Seacon Bangkae, 3rd Fl., Petchakasem Road, Bangwha, Phasicharoen, Bangkok 10160	02-165-5555	02-458-2826
Bang Bon	265 Ekachai Road, Bangbon, Bangkok 10150	02-165-5555	02-417-2499
Wongwian 22 Karakada	132 Mittraphan Road, Pom Prap, Pom Prap Sattru Phai, Bangkok 10100	02-165-5555	02-221-7327
Muang Thai – Phatra Complex Building	252/203 Muang Thai-Phatra Complex Building, 2nd Fl. (Plaza Zone), Ratchadaphisek Road, Huaykwang, Bangkok 10310	02-165-5555	02-275-8633
Central World	4, 4/1-2, 4/4 Central World, 4th Fl., Rachadamri Road, Pathumwan, Bangkok 10330	02-165-5556	02-646-1244
Central Plaza Lardprao	1697 Central Plaza Lardprao, 2nd Fl., Phaholyothin Road, Chatuchak, Bangkok 10900.	02-165-5557	02-069-5504
Central			
Ratchaburi	286/25-28 Srisuriyawong Road, Tambon Na Muang, Amphoe Muang, Ratchaburi 70000	02-165-5555	032-310-391
Saraburi	568/7-9 Paholyothin Road, Tambon Pak Priao, Amphoe Muang, Saraburi 18000	02-165-5555	036-318-446
Kanchanaburi	275/1-2 Saeng Chotoh Road, Tambon Baan Nua, Amphoe Muang, Kanchanaburi 71000	02-165-5555	034-620-646
Hua Hin	39-39/1 Chomsin Road, Tambon Hua Hin, Amphoe Hua Hin, Prachuab Kirikun 77110	02-165-5555	032-530-081
Suphan Buri	290/3-6 Moo.4, Tambon Sanamchai, Amphoe Muang, Suphan Buri 72000	02-165-5555	035-451-733
Ayuthaya	100 Moo.1, Tambon Pailing, Amphoe Phranakorn Sri Ayuthaya, Phranakorn Sri Ayuthaya 10300	02-165-5555	035-321-541
Phetchaburi	132/8-10 Moo.1, Tambon Tonmamuang, Amphoe Muang, Phetchaburi 76000	02-165-5555	032-454-722
East			
Chonburi	342 Wachirapakan Road, Tambon Bang Pla Soi, Amphoe Muang Chonburi, Chonburi 20000	02-165-5555	038-285-690
Central Plaza Rayong	99-99/1 Central Plaza Rayong, 2nd Fl., Bangna-Trat Road, Tambon Choengnoen, Amphoe Muang Rayong, Rayong 21000	02-165-5555	038-942-690
Chantaburi	29/1-4 Moo.7, Tambon Chantanimitr, Amphoe Muang, Chantaburi 20000	02-165-5555	039-322-485
Chachengsao	508, 510 Chachengsao-Bang Pakong Road, Tambon Na Muang, Amphoe Muang, Chachengsao 24000	02-165-5555	038-516-106
Pattaya	47/70 Moo.9, Pattaya Klang Road, Tambon Nong Prue, Amphoe Bang Lamung, Chonburi 20150	02-165-5555	038-414-977
Sa Kaeo	330 Suwansorn Road, Tambon Sa Kaeo, Amphoe Muang, Sa Kaeo 27000	02-165-5555	037-241-993
Sriracha	6-8 Sriracha Nakorn Road 3, Tambon Sriracha, Amphoe Sriracha, Chonburi 20110	02-165-5555	038-313-820
Northeast			
Nakhon Ratchasima	952, 954, 956, 958, 960 Mittraphap Road, Tambon Nai Muang, Amphoe Muang, Nakhon Ratchasima 30000	02-165-5555	044-255-746
Khon Kaen	9/2 Prachasamosorn Road, Tambon Nai Muang, Amphoe Muang, Khon Kaen 40000	02-165-5555	043-337-734
Sunee Tower	512/8 Sunee Tower, 1st Fl., Chayangkul Road, Tambon Nai Muang, Amphoe Muang, Ubonratchathani 34000	02-165-5555	045-355-212
UdonThani	215/25, 215/27 Udon Dusadee Road, Tambon Mak Keng, Amphoe Muang, Udon Thani 41000	02-165-5555	042-223-242
Surin	6/7 Lak Muang Road, Tambon Nai Muang, Amphoe Muang, Surin 32000	02-165-5555	044-512-420
Nong Khai	527-528 Moo.7, Tambon Nai Muang, Amphoe Muang, Nong Khai 43000	02-165-5555	042-460-151
South			
Hat Yai	20/1 Ratyindee Road, Tambon Hat Yai, Amphoe Hat Yai, Song Khla 90110	02-165-5555	074-343-309
Surathani	22/144-146, 22/163, Raj-Uthit Road, Tambon Talad, Amphoe Muang, Surathani 84000	02-165-5555	077-217-408
Nakhon Si Thammarat	111, 111/1-4 Pattanakarn Kookwang Road, Tambon Klung, Amphoe Muang, Nakhon Si Thammarat 80000	02-165-5555	075-317-171
Phuket	63/714-716 Moo.4 Tambon Vichit, Amphoe Muang, Phuket 83000	02-165-5555	076-522-310
Krabi	254, 254/1, 254/2 Moo.11, Tambon Krabi Noi, Amphoe Muang, Krabi 81000	02-165-5555	075-663-923
Trang	59/12-14 Huay Yod Road, Tambon Thap Thieng, Amphoe Muang, Trang 92000	02-165-5555	075-223-293
North			
Phitsanulok	286/10 Pichaisongkram Road, Tambon Nai Muang, Amphoe Muang, Phitsanulok 65000	02-165-5555	055-303-385
Chiang Mai	33 Chiang Mai-Lampang Road, Tambon Chang Phueak, Amphoe Muang, Chiang Mai 50300	02-165-5555	053-409-625
Nakhon Sawan	1311/18-21 Moo.10, Tambon Nakornsawan Tok, Amphoe Muang, Nakhon Sawan 60000	02-165-5555	056-371-622
Chiang Rai	102, 102/1-3 Moo.13, Tambon Rob Wieng, Amphoe Muang, Chiang Rai 57000	02-165-5555	053-719-434
Lampang	142-144 Highway-Lampang-Ngua, Tambon Phra Bat, Amphoe Muang, Lampang 52000	02-165-5555	054-317-699
Central Festival Chiang Mai	99, 99/1, 99/2 Moo.4, Super Highway Road, Tambon Fah Ham, Amphoe Muang Chiang Mai, Chiang Mai 50000	02-165-5555	053-288-699



The Bank operates two auction centers, which are located on the Bangna-Trad Highway (8th km) and in Udon Thani province, to support car auction activities in both metropolitan and provincial areas. The Bank auction centers offer high-standard integrated full-service capacity to serve used car entrepreneurs and clients who desire to own a car.

Other than its existing branch network, the Bank recognizes the importance of providing sales and services through electronic channels and telephone channels. During the next few years, the Bank will continue to focus on channel development in order to fully satisfy the growing needs of target clients, lessen the barrier of physical branches and create innovations.

Presently, the Bank serves many products and services through a variety of electronic channels which are:

- Online banking services:

- 1) KK e-Banking Service, an online banking system that provides basic banking services including PromptPay service anywhere anytime; the consolidation of KK deposit to PTSEC statement (portfolio) via the online banking service as well as bill payment through web browser and mobile application.
- 2) KK Biz e-Banking and Dealer Cash Management: an online banking system for corporate clients to view their deposit and loan account information, collection and payment, basic banking bulk account transfer including on-us, interbank and PromptPay. There are also special services for car dealer businesses and bill payment.

- KK Debit Chip Card service: a 24-hour electronic banking service that allows the Bank's clients to withdraw money via the ATM pool nationwide and make a payment for products and services at merchants while enjoying privileges and special

discounts. The Bank launched four new types of KK Debit Chip Card, namely KK Value Card, KK Maxi Card, KK Trust Card and KK Project Card to match clients' lifestyles. Clients can use the debit card for their purchases while benefitting from the tie-in accident insurance protection in various schemes.

- KK ADM/ CDM service: 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 serves clients making a deposit/ withdrawal/ transfer via mini-ATM machines at all branches. Clients can use only an ATM/ Debit card (all banks accepted) to make and complete the transaction without a passbook required.

- PromptPay registration service: clients can easily register PromptPay or make a money transfer to PromptPay via the Bank's branches or KK e-Banking. The PromptPay service is a new money transfer service developed in line with the National e-Payment strategy by the government. PromptPay service is more convenient than normal transfer service as clients can use either their mobile phone number, national identification card or e-wallet number as an alias to their bank accounts.

- Mobile phone channel services: includes KK Smart SMS service, an automatic system providing SMS transaction alerts to clients' mobile phones with each account movement and every month-end; KK Auto Service via mobile application which allows users to perform hire-purchase-related transactions such as new car price query, used car price estimation, car insurance policy query and payment push-notification including other kinds of information update such as the Bank's news and promotions, auction schedule, reminder for installment payment, tax renewal and insurance renewal. Auto hire purchase clients can also check the special credit limit offered by the Bank.

- Inward remittance service: for any transaction transferred from overseas to any bank account in Thailand.

- Expand payment channels: partner with BigC, CenPay, TMB Bank Public Company Limited, etc. to be the Bank's alternative payment channels for clients.

In addition, the Bank operates KK Contact Center (phone number 0-2165-5555) to serve clients' inquiries and transactions via phone service (IVR: Interactive Voice Response) and KK Contact Center agents. In 2017, 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 for clients. The developments are as follows:

- Change cash card credit limit via phone service (IVR)
- PTSEC's securities reservation via KK Contact Center agent
- Open account via KK Contact Center agent
- 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)
- 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 serve 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 full team of direct sales agents to offer personal loans, housing loans

and SME Car3x loans to potential clients.

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): the Bank revamped its website to be more client-friendly which included centralizing information of the Bank's products, services, promotions, tools and 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 Facebook @kiatnakinlive, Twitter @kiatnakinlive, LINE@kiatnakinlive, YouTube @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 behavior where content and information are consumed via mobile and computer, the Bank has launched its KK e-newsletter via email which is issued weekly. The content consists of KK products, services, promotions, news and articles that match the target profile.

Furthermore, the Bank designed and established the 'One Account' process to enable the Group's clients to be able to access and use all types of channels, products and services more conveniently. The 'One Account' process starts by asking for clients' personal profile in the first application. Then, clients who would like to subscribe to additional products/ services are able to do so easily, without having to provide all the 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). 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 Complex Building Tower A, 252/25 Ratchadapisek Road, Huaykwang, Bangkok 10310 Tel. 0-2305-9800. Distribution is carried out through thirty-two selling agents of which two are commercial banks, twenty-two are securities companies, two are asset management companies, three are securities brokerages of investment units and three are Life insurance companies. In addition, PASSET has provided online access, called Phatra Click, as a convenient channel for investors to invest in PASSET's funds.

Market Condition and Competition

1. Commercial Banking Business

There are fourteen commercial banks in the Thai banking system, eleven of which are publicly listed companies in the SET. Based on the summary of assets and liabilities (C.B.1.1) as of December 2017, Thai banks which are classified by their assets sizes, deposits and net loans can be grouped as follows:

Table presents assets, deposits, and net loans of Thai commercial banking system as of the end of December 2017.

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	2,970,037	17.8	2,252,421	18.6	1,817,136	16.4
2.	Krung Thai Bank	2,781,740	16.6	2,073,594	17.1	1,748,653	15.7
3.	Siam Commercial Bank	2,725,632	16.3	2,087,890	17.3	1,931,839	17.4
4.	Kasikorn Bank	2,444,824	14.6	1,875,729	15.5	1,662,880	15.0
5.	Bank of Ayudhya	1,999,809	12.0	1,316,705	10.9	1,384,881	12.5
6.	Thanachart Bank	1,025,525	6.1	716,091	5.9	688,243	6.2
7.	Thai Military Bank	842,976	5.0	611,508	5.1	618,386	5.6
8.	UOB Bank	516,964	3.1	370,279	3.1	340,023	3.1
9.	TISCO Bank	303,436	1.8	180,804	1.5	239,913	2.2
10.	CIMB Thai	296,307	1.8	177,703	1.5	195,872	1.8
11.	Standard Chartered Bank	155,373	0.9	56,259	0.5	45,504	0.4
12.	Kiatnakin Bank	245,088	1.5	133,278	1.1	184,342	1.7
13.	Land and House Bank	230,396	1.4	143,742	1.2	150,618	1.4
14.	ICBC (Thai)	179,892	1.1	100,350	0.8	101,088	0.9
Total		16,717,999	100.0	12,096,354	100.0	11,109,377	100.0
four large-sized commercial banks		10,922,233	65.3	8,289,635	68.5	7,160,508	64.5
three medium sized commercial banks		3,868,310	23.1	2,644,304	21.9	2,691,510	24.2
seven small commercial banks		1,927,456	11.5	1,162,415	9.6	1,257,359	11.3

Source : Summary statement of assets and liabilities (C.B.1.1) as of the end of December 2017.

The total asset of Thai commercial banks as of the end of 2017 is at Baht 16.7 trillion, expanding at a rate of 5.1% per year. Considering the size of commercial banks, it can be seen that the total assets of the four large-sized commercial banks (accounting for up to 65% of the market) continued to expand at a rate of 4.8% per year, while the total assets of the mid-sized banks expanded 9.5% per year. The small-sized commercial banks expanded at a slower rate of 7.9% per year.

The reason for the accelerated expansion of commercial banks' assets is mainly because of an increase in commercial banks' overall loans following the banks' decision to expand their lending to large enterprises. This led to the increase in total net loan amount of the Thai commercial banks to Baht 11.1 trillion, expanding at a rate of 4.4% per year and accelerating from 2016 which expanded at a rate of 1.3% per year.

Although Thailand's economy gradually expanded in 2017, the issue of loan quality remained worrisome, especially in small and medium enterprises (SMEs) sector. The overall NPL to commercial banks' loan ratio is at 2.97% as of end of 3Q2017, rising from 2.83% at the end of 2016. However, Thai commercial banks have been raising their loan-loss provision to Baht 584 billion at the end of 3Q2017. This resulted in the increase of ratio of actual to regulatory loan loss provision to 166.2% from 159.6% at the end of 2016, implying that Thai commercial banks' system remained strong.

In terms of the commercial bank's deposit, the growth rate is accelerating. The total deposit amount of Thai commercial banks has accelerated to Baht 12.1 trillion as of end of 2017, expanding at a rate of 6.5% per year. This rate was faster than that of the same time last year of 1.5% per year. It was due to the increase in commercial banks' domestic credit growth, which led to the need to raise deposit.

Although Thailand's economy has been improving, the net income of total commercial bank industry declined from two main factors. First, economic growth is concentrated in the export and tourism sectors. This means that a number of business owners,

especially for SMEs which also face challenges from the shift in economic structure, did not reap the benefit of the economic growth. As a result, the quality of loan in that particular sector has further deteriorated, leading banks to increase their loan-loss provision. Another important factor is the introduction of PromptPay, a system for money transfer that ties identification numbers and/or mobile phone numbers with bank accounts and is in accordance with the government's National e-Payment strategy. This resulted in the reduction of commercial banks' transfer fee income. These two factors led to the decline in commercial banks' net income, which stood at Baht 146.5 billion for the first nine months of 2017, contracting by 3.4% per year. Nevertheless, commercial banks' total fee income for the first nine months of 2017 continued to grow at 6.0% per year since they shifted their focus to providing additional financial services, such as wealth management, as a way to increase fee income.

Outlook of Commercial Banking Business

In 2018, the overall commercial banking business income is expected to grow at the same rate as in 2017, due to the gradual recovery of the Thai economy. In 2018, the Thai economy is expected to grow 3.8% per year, the same rate as in 2017. The main contributing factor is the expansion of export and tourism sectors, in line with the synchronized global economic growth. Moreover, the projected 9.0% increase in public investment, especially in the disbursement of public infrastructure projects, will also give a "crowding-in" effect to the revival of private consumption and investment.

Despite Thailand's economy being forecasted to grow continuously, the issue of loan quality is still a concern, both in terms of retail loans and loans to businesses, especially the business sectors which suffer from the changes in economic structure. Hence, it is likely that commercial banks' credit approval procedure will still be tight. As this will limit the expansion of loan growth in 2018, we expect the amount of loan outstanding (excluding interbank) in 2018 to grow at 3.7% per year, approximately the same rate as 2017.



Going forward, there are four challenges looming for commercial bank's business operations. The first is loan quality, especially in the SME sector which faces a shift in economic structure. Second, the competition between banks and the money market in terms of fundraising is expected to be tougher, which may lead to increasing financial costs for commercial banks. Third is the changing of commercial banks' business model from traditional to digital banking in order to suit the needs of new generation clients. Last but not the least is the need for commercial banks to enhance efficiency and improve competitiveness, which can be done by reducing operating costs.

2. Auto Hire Purchase Business

2017 is the year that the automobile industry rebounded for the first time in four years, after the big expansion of car sales in 2012 due to the first car-buying scheme, followed by the contraction in car sales thereafter. Sales of automobiles in 2017 were at 871,647 units, which expanded at 13.4% per year. This comprises of (1) passenger car sales, which expanded at 23.7% per year and (2) commercial car sales, which expanded at 7.5% per year. The contributing factors are (1) the change of car ownership after the five-year holding period from the first-car scheme expired, which led to the change of the B-segment and eco-car ownership with the engine up to 1,500 CC; (2) the slowly reviving economy, reflected from the income growth of the middle to high-income group which is reviving and leading to the increasing demand for passenger cars and (3) the launch of new car models.

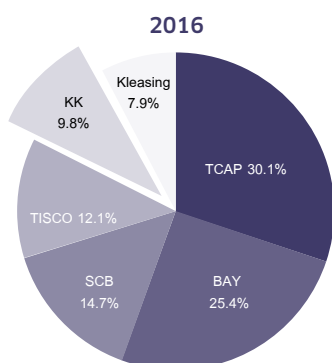
The rebound of automobile sales is visible in three categories (1) B-segment and eco-car which

grew 34.3% and 16.3% in the first eleven months of 2017, as a result of the change in car ownership after the first-car scheme expired; (2) commercial vehicles (or pick-up trucks) with double cab, which grew robustly at 25.0% per year, and (3) passenger vans and buses which rebounded for the first time in four years at 25.2% per year.

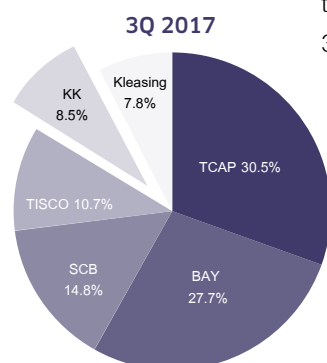
On the other hand, sales of used cars in 2017 decelerated, due to the acceleration of new car sales, especially in the small-car segment where new models have been launched. This led to an increase in the supply of used cars, especially the small-car segment, which in turn compressed the price of used cars somewhat. Nevertheless, the economic recovery and the commercial banks' focus to balance the loan portfolio between the used-car segment and the new-car segment would be the main contributing factors for the continual growth of this segment going forward.

This picture led to the expansion of auto hire purchase loans (excluding personal loans using cars as collateral such as CarQuickCash). In 3Q2017, the total auto hire purchase loans amounted to Baht 921,437 million, an expansion of 5.2% per year. The quality of auto hire purchase loans also increased, as can be seen from the decrease in NPL rate to 1.63% at the end of 3Q2017.

Meanwhile, considering the market share of auto loans (including personal loans using cars as collateral such as CarQuickCash), provided by the six biggest car loan lenders (Thanachart Bank, Bank of Ayudhaya, Siam Commercial Bank, Tisco Bank, Kiatnakin Bank and Kasikorn Leasing), the market share of Kiatnakin Bank has declined from 9.8% in 2016 to 8.5% in 3Q2017. The market shares of the six biggest car loan lenders in 2016 and end of 3Q2017 are shown below.



The outstanding auto loans of Six major companies of Baht 1,148,761 million



The outstanding auto loans of Six major companies of Baht 1,216,052 million

(Note that Kasikorn Leasing's loan amount is as of the end of the fiscal year ended on June 30, 2017.)

Outlook of Auto Hire Purchase Business

In 2018, auto hire purchase loans in the banking system are expected to expand continuously. The loan to buy/ hire-purchase of the commercial banking system (excluding loans securing personal cars such as CarQuickCash) at the end of 2018 is expected to expand 7.0 - 8.0% per year. This coincides with domestic car sales which are expected to increase to 920,000 - 930,000 units, a 6.0% jump compared to the previous year. The projection of hire-purchase loan growth is due to four factors, which are (1) the continuing change in ownership of cars after the first-car scheme; (2) the continual expansion of the economy; (3) the continuous disbursement of government infrastructure project, especially the sky-train project in Bangkok and vicinities, which may support the demand of pick-up trucks and (4) the general election which is expected to take place around the end of the year.

However, the domestic automobile industry and the auto hire purchase loan in Thailand may still face two downside risks, which are: (1) the decline of agriculture prices, especially rice and rubber, which may compress the demand for single-cab pick-up trucks and (2) the continuously-depressed purchasing power of the low and medium-income group.

3. Real Estate Business

In the past few years, despite government measures to stimulate the sector, the real estate business in Thailand was in the doldrums. Nevertheless, in the second half of 2017, the real estate sector started to revive especially the middle to high-income segment, which coincided with the rebound of the economy. This is reflected by (1) the amount of mortgage loans in 3Q2017 which speeded up to the highest level in three years at Baht 163,281 million and (2) the launch of new real estate projects in Bangkok and vicinities which accelerated at 15.6% and 3.5% per year, in terms of value and number of units respectively, especially the medium- to high-end segment. Apart from that, the number of house registration and the amount

of property transferred in Bangkok and vicinities started to rebound in 2H2017. Notwithstanding that, in the first eleven months of 2017, the two figures still contracted 16.1% and 11.1% respectively, due to the high base effect from the government's measures during the first four months of 2017.

Despite the rebound in Bangkok and vicinities, the real estate picture upcountry is still dire, reflected by requests for real estate construction area permits, which continuously contracted since 2015, with an average contraction rate of around 5.8% per year. In contrast, the real estate construction area permits in Bangkok and vicinities showed signs of reviving in the second and third quarters of 2017, with average growth rate of 7.0% per year and rising from the contraction of 11.6% per year during 2Q2016 to 1Q2017.

Outlook of Real Estate Market

Real estate for housing in 2018 is likely to gradually improve from 2H2017. However, the improvement is modest compared to the years 2012 - 2013 when the real estate market was buoyant. The amount of property transferred and the housing registration rate are projected to grow at a rate of 8.1% and 4.4% per year respectively, rebounding from the contraction of 11.2% and 12.6% the year before. This expansion is consistent with PTSEC's projection of revenue from the sales figures of the nine largest property developers in 2018, which is expected to expand at a rate of 8.0% per year, from a contraction of 2.0% per year in 2017. However, the improvement will still be concentrated among large developers and in Bangkok and vicinities, rather than upcountry.

The main contributing factors to this year's growth in the property market are (1) commercial banks starting to expand their mortgage lending portfolio again; (2) government measures to instruct Special Financial Institutions (SFIs) like the Government Housing Bank (GHB) to support loans for mortgage borrowers; (3) revival of the domestic economy, which led to the increase in revenue for the middle to high-income group; (4) low interest rates and accommodative liquidity in the financial market, reflected by the decline of the



floating mortgage rate at 6.31% at the end of 2017, dropping steadily from 2016 at 6.85% and (5) the slow rebound in the disbursement of government infrastructure projects in the past year after 6 -12 months' delay, which stimulated the housing demand of the surrounding areas.

Despite several tailwinds to support the real estate market, both for the demand and supply sides, the real estate market still faces three major headwinds. The first is the increasing cost of real estate development, especially the cost of construction materials which has increased continuously since 2H2017. Note that the cost of construction materials increased around 3.3% per year in 2H2017, compared to the contraction of 3.0% per year in 2015 to 1H2017. The second is the excess supply problem, which is a legacy from the past and still needs time to absorb, while the number of newly-launch projects is increasing. If the expansion of supply is greater than demand, the problem of excess supply may rise again. Note that the stock of unsold housing (mainly condominiums and townhouses) in Bangkok and vicinities at the end of 2017 increased at 6.1% per year, roughly the same rate as the previous year at 7.3% per year. Third, weak agriculture prices in 2018 despite the rebound in production may lead to a persistent contraction in the purchasing power of consumers, especially upcountry.

4. Capital Market Business and Securities and Derivatives Brokerage Business

The year 2017 turned out to be an exceptional year for global investment. Against all odds, most asset classes except the USD performed well despite concerns that the market seemed to have at the beginning of the year over the new US president, FED interest rate hike and low inflation. Asset prices were supported by strong and synchronized global growth recovery, globally low interest rates and the hope for US corporate tax reform. Global equities rallied over 22% YoY, which is the strongest year since 2009. Consistent with previous economic upturns, the earnings-stable

US (+19.5%) lagged the global index while Europe (+22.1%) and Japan (+21.8%) performed in line with the index and emerging markets (+34.3%) and Asia Pacific ex-Japan (+33.5%) outperformed.

For Thailand, the SET index was up approximately 13% YoY. Local institution investors were net buyers of over Baht 103.63 billion. Proprietary trading was also a net buyer of Baht 16.75 billion. Meanwhile, local individual and foreign investors were net sellers of Baht 94.62 billion and Baht 25.76 billion respectively. Aside from external factors mentioned above, the key drivers came from strong local liquidity as well as a continuous rebound in the local economy supported by export recovery dominated by tourism and increasing oil prices which carried a solid momentum throughout the year. In addition, the recovery of local consumption rate and increasing oil price during 2H2017 were also positive factors for securities in the petrochemical sector and the SET. The large cap stocks of MSCI Thailand contributed yield of as high as 30%.

In 2017, the SET's average daily securities trading value decreased 5% YoY with relatively stabilized pricing pressure on high-touch trade executions. However, the stock brokerage industry remained difficult with rising trades from foreign institutions on execution-only services. In addition, the effective commission rate also declined with growth in Direct Market Access (DMA) and High Frequency Trade as well as Program Trading orders following the migration from actively managed funds to ETFs.

PTSEC has no policy in aggressive price-cutting but focuses on the quality of research and services including technology to effectively support trading transactions. PTSEC's total market share declined slightly from 4.81% in 2016 to 4.69% in 2017. PTSEC's share of local brokerage decreased from 9.55% in 2016 to 9.20% in 2017, while the market share of foreign institutional brokerage decreased from 9.13% in 2016 to 7.46% in 2017 and the market share of high-net-worth clients increased from 1.86% in 2016 to 1.92% in 2017.

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

	2016	2017
Average daily securities trading value of the SET and mai (Baht million)	52,525.65	50,113.72
Trading value of the SET and mai by investor type		
Foreign investors (%)	25.57	30.23
Local institutions (%)	10.10	11.01
Local individuals (%)	53.81	48.31
Proprietary trading (%)	10.52	10.45
Average daily securities trading value of PTSEC (Baht million)	6,437.38	5,729.12
Market share of PTSEC (excluding proprietary trading) (%)	4.81	4.69
Market share- foreign investors (%)	9.13	7.46
Market share- local institutions (%)	9.55	9.20
Market share- high-net-worth clients (%)	1.86	1.92
Ranking	4	5

Source: SET and PTSEC

For TFEX, the average daily volume increased from 285,148 contracts per day in 2016 to 323,732 contracts per day in 2017. The majority of the increase in volume came from single stock futures in which average daily volume has increased 40% from the year before, driven by uptrending market direction in 2H2017 as well as the addition of underlying stocks. Single stock futures underlying securities has increased from 70 as of end of 2016 to 93 as of end of 2017.

For SET50 Index futures, the average daily volume in 2017 has declined 18% as a result of unusual low market volatility in 1H2017 resulting in lack of arbitrage and trading opportunities.

Gold futures trading remained lackluster in 2017 despite the addition of physical delivery contracts and active promotional campaigns to promote trading activities. The average daily volume for gold futures increased slightly from 11,901 contracts per day in 2016 to 15,130 contracts per day in 2017.

PTSEC's market share on TFEX decreased from 10.09% in 2016 to 9.59% in 2017.



TFEX Market Summary

	2016	2017
Number of contracts	69,576,130	78,990,574
Trading volume of PTSEC (no. of contracts)	14,036,213	15,143,754
Trading value of PTSEC (Baht million)	933,504.68	799,202.29
Market share of PTSEC (%)	10.09	9.59

Source: SET

5. Investment Banking Business

Securities firms continue to focus on the investment banking business with the aim to increase fee revenue as well as to support their securities brokerage business. As of December 2017, there were seventy-three companies which have been granted licenses to operate financial advisory services and are currently in the business, while forty-one securities firms have been 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 2017, PTSEC was appointed as a financial advisor of Thai President Foods Public Company Limited in its Baht 96,107 million corporate restructuring through the merger of President Holdings Co., Ltd., President Rice Products PCL, President Bakery PCL and Thai President Foods PCL. The deal won the Best Thailand Deal Country Award from FinanceAsia.

In addition, PTSEC was appointed as a financial advisor of Asset World Company Limited in its Baht 80,000 million acquisition of assets from Thai Hotel Investment Freehold and Leasehold Property Fund, Thai Retail Investment Fund and Thai Commercial Investment Freehold and Leasehold Fund, which was considered the largest asset acquisition in Thailand's property fund industry. Moreover, PTSEC also played an important role in advising several prominent businesses including Symphony Communication Public Company Limited, Ticon Freehold and Leasehold Real Estate Investment Trust and Principle Capital Public Company Limited.

For the capital market, with our superior strength, structuring expertise and exceptional distribution capability, PTSEC remains a leading player in capital market transactions. In 2017, PTSEC was appointed as a financial advisor and lead underwriter of B.Grimm Power Public Company Limited for its initial public offering with a total value of Baht 11,470 million, which received the Best IPO Thailand award from The Asset Triple A Country Award and Best IPO Deal in Southeast Asia award from Alpha Southeast Asia.

In addition, PTSEC was appointed as a financial advisor and lead underwriter of Global Green Chemicals Public Company Limited in its Baht 3,300 million initial public offering and was appointed as a book-runner for overnight placements for a total value of Baht 7,352 million for Quality Houses Public Company Limited, B.Grimm Power Public Company Limited and Workpoint Entertainment Public Company Limited.

Moreover, PTSEC has been actively involved in debenture offerings. It has been growing steadily since the introduction of debt capital market services in 2012 and is now becoming one of the key players in the debenture offering market. In 2017, PTSEC serviced corporate clients in fifteen debt offerings with a total value of Baht 83,340 million.

6. Asset Management Business

In 2017, there were twenty-three asset management companies under the supervision of the SEC. Industry AUM (only mutual funds) stood at Baht 5.03 trillion, registering a growth of 8.29% relative to Baht 4.65 trillion in the previous year. (Source: AIMC as of January 5, 2018)

Fixed-income funds represented the largest share of the industry's AUM, ending the year 2017 at Baht 2.71 trillion or 53.86% of the total AUM. Equity funds stood at Baht 1.38 trillion, or 27.32% of the total AUM. Continued growth was seen from the retirement mutual fund and long-term equity fund category, ending the year approximately at Baht 251 billion and Baht 397 billion, respectively.

Private funds also demonstrated a persistent growth trend with intensifying competition. As of the end of November 2017, the whole industry AUM was around Baht 823 billion (Source: AIMC as of December 29, 2017), representing a growth of 10.39% relative to end of 2016.

In 2017, PASSET launched an open-end Phatra Global Unconstrained Bond fund – Hedged (PHATRA G-UBOND-H), which is a foreign investment fund that feeds its investment into Jupiter Global Fund - Jupiter Dynamic Bond, providing investors with investment opportunities in global fixed income securities. The Jupiter Global Fund - Jupiter Dynamic Bond is managed by Jupiter Unit Trust Managers Limited, which has a highly specialized global fixed income fund investment team. Jupiter Global Fund - Jupiter Dynamic Bond is a global bond fund that can invest across the entire fixed income spectrum with active management strategies. The fund has flexibility to make investment adjustments in response to rapid changes in the market environment.

PASSET will keep developing its product platforms to meet investors' demands to diversify their investments and to capture opportunities sparked by changes in the market.



Risk factors

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

1. Changes in domestic and global economy may directly impact the business of the Bank and subsidiaries.

The business of the Bank and subsidiaries relies on the status of both domestic and global economies. In 2017, the national and global economies had expanded more than expected. This resulted from global synchronized growth especially in developed countries which saw continual demand for goods resulting in the expansion of exports from emerging markets including Thailand. Moreover, central banks have gradually raised interest and/ or reduced Quantitative Easing (QE) which could have also contributed to continual global economic growth.

However, the current recovery still faces three sensitive factors. First, this recovery did not thoroughly spread to all parts of the economy, i.e. economic growth was only seen in the manufacturing sector in developed countries. As a result, the export sectors in the emerging markets including Thailand have expanded greatly while other economic sectors remained weak especially in Thailand. For instance, domestic consumption and investment indicated that income did not grow evenly. Moreover, structural factors from high volume of debt, increasing elderly population, lower prices of agricultural products and replacement of human labor by tools and machines (Automation)

put more pressure on individual income. Second, this recovery is inflation-free because wages and commodity prices especially soft commodities such as oil, fuel and grains did not rise. This is partially due to the fact that demand for these products was not as strong as it had been. Third, this recovery is accompanied by asset bubbles resulting from the injection of capital by central banks around the world. This caused global prices for stocks, bonds and real estate to increase.

These factors also affected the Thai economy including the performance of the Thai commercial banking system. This resulted in low loan growth and a continual increase in non-performing loans and special mention loans. However, the performance of the Group has constantly improved due to the well-managed cost of fund which reached the lowest level recorded at 2.1% in 3Q2017.

In 2018, although the world economy and the Thai economy are likely on the road to recovery, the global economy and the Thai economy will still encounter several risk factors. First, although the Chinese economy has been expanding well in the recent period, it may begin to encounter more risks both from the tightness of the financial sector resulting from the government enforcing stricter controls and the Chinese property bubble which could broadly affect the Chinese economy. Second, the US could introduce more trade barriers through both tax and non-tax measures. Third, global geopolitical risks are rising both in the Middle East and the Korean Peninsula. Fourth, the recovery of the Thai economy was not broad based especially among lower income workers and agriculturists resulting in sluggish consumption and investment. Lastly, the government's public infrastructure projects may possibly face operational delays. These risk factors may result in the Thai economy

growing at a low rate and may affect business operation in the next phase.

As aforementioned, since the business of the Bank and its subsidiaries relies on the status of both the domestic and global economies, the volatility of the economy and political situation would impact clients of the Bank and subsidiaries including corporate and retail loan clients. Specifically, the Bank's retail loan clients are mostly from the agriculture sector and freelancers. The income of this group of clients may significantly decrease which would affect loan quality, income and expenses of the Bank in the future.

Due to the fact that the operating results of the Group includes that from PHATRA, PTSEC and PASSET, securities brokerage and investment banking fees have become significant revenues of the Group. The instability of the economy and politics would negatively affect such revenues through the decrease of trading volume in the SET, transaction volume from Merrill Lynch, which is a major international corporate client of the Group and volume of funding and initial public offerings. These shrinking volumes would certainly reduce the brokerage and investment banking fees as well as other fees from financial advisory services and security underwriting.

In managing the mentioned risks, the Group regularly monitors, analyzes and follows events that might impact the Group. In addition, the Group has improved the asset and liabilities structure to be able to adapt to dynamic events, developed measures on how to classify clients to increase the amount of quality client ratio, incorporated risk management into business operations, conducted the Stress Test and regularly prepared plans for all types of crisis.

However, the fluctuations of domestic and foreign economies including political conditions and

government policies are factors beyond the control of the Group. Thus, it cannot be guaranteed that, when such impact occurs, the Group will not be affected significantly.

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

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 retail 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 designated period or would allow the Group to be comparable or better than business competitors.

In addition, the business and strategic plans of the Group are intertwined with the development of information technology and system. This development efficiently helps enhance products and services including diversifying service channels to be compatible to dynamic client behavior in the digital 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 could be completed in



time, there would still be a risk that the Group had incorrectly anticipated market needs. As a result, the failure of the offered products, services and transaction plans to meet client preferences and targeted profits as well as the lack of experience in the new product and service developments could deter business competitiveness.

3. The Group may not be able to maintain sufficient capital to meet the needs of future business expansion and competition.

The Group's capital under the regulation 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 Group's businesses and risks as well as changes to capital requirement regulations. Furthermore, in case the Group reports operating loss, the loss will lessen regulatory capital which will probably impact the Group's capital sufficiency. Any capital reduction may lead to a need to raise funds for business expansions. Such fund raising may be restricted or collected at a high cost. If the Group is unable to raise sufficient funds, it may not be able to grow its business as planned. Consequently, performance could be impacted or the Group's capacity might need to reduce, if the restriction on capital is not resolved in the long term.

In 2017, the Group has continuously operated in accordance with the business plan for capital restructuring with the aim of efficient capital optimization while maintaining robust financial status for risk mitigation and business expansion in the future. The Group's objectives to maintain the minimum capital requirements are stipulated in the Group's risk appetite and approved by the Board of Directors of the Bank. The established objectives reflect the main targets as follows:

- 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 Group needs to comply with.
- Capital is maintained in a manner which considers its impact to shareholders.

To improve the capital assessment procedure the Group has undertaken the following:

- 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 Group's business.
- 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 unit.
- Developed risk assessment and capital adequacy using economic capital methods.

In 2018, the Group will focus on managing capital more efficiently to be able to support business expansion with a high level of capital adequacy and an appropriate fund structure comparable to others in the business.

The Group still has a limited amount of subordinated debts that could be part of tier-2 capital but 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 face

risks due to the lack of sufficient capital from fund raising or risks due to the higher cost of raising funds, which would significantly impact the performance of the Group.

For the Group's capital management, capital adequacy assessment will consider the appropriate level of minimum capital the Group has to maintain, future additional capital needed according to the annual business plan, risk appetite and risk tolerance. In the event that estimated capital approaches the minimum level determined by the Group's risk tolerance or as required by the Bank of Thailand, the Group will devise a capital plan on a case-by-case basis.

4. Changes in laws, rules and regulations may affect the business, process and profitability of the Group.

The Group and its subsidiaries recognize the importance of the existence and changes of laws, rules and regulations of the government and regulatory agencies, which the Bank of Thailand is one key regulator. Other governing bodies include the SEC for securities-related business and the Office of Insurance Commission (OIC) for bancassurance business. In addition, the Bank and subsidiaries are also governed by other units, for instance, the Office of the Consumer Protection Board and the Anti-Money Laundering Office (AMLO). The law and regulations of the mentioned bodies are constantly improved and increasingly strict to better protect consumers. However, the Bank and subsidiaries are committed to conducting business in compliance with the laws, rules and regulations as a fundamental for good performance and sustainable growth of the Group.

In order to ensure the convenience, speed, security and fairness for clients in dealing with financial and investment transactions, the Bank and subsidiaries are committed to improving its services and operations

to comply with the changes in laws, rules and regulations. In the past year, key laws related to business of the Bank and subsidiaries have been significantly changed, such as the Market Conduct, the bank's Channels & Services Guidelines, the financial institution's Information Technology Risk Guideline, the Payment Systems Act B.E.2560, the Guideline on Issuance and Offering of Debt Securities, the Civil Procedure Code, the Credit Information Business Operation Act, etc. These laws, once in effect, would influence the operation of the Bank and subsidiaries which will have to adjust and comply with the changes.

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

5. If the operation of the Group is lax, it may cause operational risks which would impact the competitiveness and performance of the Group.

The Group's current operations including products and services are diverse and complex. They involve various units across the country and are subjected to numerous laws, rules and regulations. Nowadays, the business faces dynamic factors such as growth and expansion, new products and services, modern technologies and novel fraud techniques which are more advanced than those in the past. Moreover, situational changes could result in lax operation. All of these may cause a new risk, gap or loss in business operations such as incorrect product and service offerings which could affect the Group's reputation, invoke a lawsuit, result in a delay in service and affect competitiveness which could cause a loss in revenue, increased costs and poor performance of the Group.



To reduce operational risks and frauds, the Group has appointed the Operational Risk Sub-committee to monitor and manage operational risk issues and losses due to misconduct in operations of the Group. The Group has also established a fraud unit to control and examine irregularities or events susceptible to fraud as an early response prior to any actual damage. Additionally, the Group has defined measures to reduce operational risks in new products and services which require relevant units to evaluate and plan as well as conduct a readiness check before launching any 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 and Litigation, the Office of Compliance and the Risk Management Group, which will jointly analyze and define issues. The working team functions to define, examine and design working processes or operations including risk controls before proposing them to the New Product & Process Review Sub-committee. The committee will identify flaws and advise on risks and related issues to improve the new products and services before approving and launching the operation.

However, the expansion of new products and services may have risks which the Group is not able to identify or fully manage. Therefore, the Group is not able to guarantee that the measures the Group has taken will prevent all risk factors especially those involving rapid changes including risks incurred from advanced development of technology or complicated fraud threats that could inevitably impact the Bank's operation.

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

The Bank's business depends on its ability to raise funds through 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's credit rating was reduced, its cost of funds would be raised.

Besides competition and internal factors, regulations also affect the Bank's fund raising. Under stricter regulations by the Bank of Thailand and Basel III after the global economic crisis, the Bank has to maintain higher liquidity to cover liquidity risk and 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 by law 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 inflows and outflows of the Bank. The sub-committee also sets up measures to closely monitor liquidity status under normal and stressed conditions according to the liabilities concentration, the risk appetite of the Bank for assets 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 Assets and Liabilities Management Committee. The Treasury Department also 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 practices 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 impacted from interest rate risks in banking book caused by the volatility of interest rates and duration gap between asset and liabilities durations.

The reduced liabilities duration is certainly 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 the hypotheses of interest rate change under normal and stressed scenarios. The Bank has appointed the Assets and Liabilities Management Committee to monitor and control such risk by adjusting the maturity and duration gap between liabilities and asset interest rates. Moreover, the Risk Management Group would also closely monitor and control interest rate risks in banking book and consistently report to the Risk Management Committee and the Board of Directors.

However, if the Bank has to meet with a higher interest rate volatility or the market interest rate adversely changes unexpectedly, such risk, uncontrollable by the Bank, would unavoidably have a direct impact on the net interest income and economic value of equity.

8. The market risk of the Group is increasing from various transactions in both trading book and available for sale book. The high volatility of the economy and financial markets could impact the performance of the Group.

Currently, the Bank has transactions involving various financial products in both trading book and available for sale book. They include transactions of bonds in Thai Baht and other currencies, FX spot,

equities in SET, interest rate swap, cross currency swap, FX forward, FX swap, equity-linked swap, interest rate futures, note/ bond futures, stock futures, equity option, equity index option, fund-linked option and derivatives-embedded loan as a comprehensive service for clients of the Group. Moreover, the subsidiaries also have market risk exposure in equity investments in Thailand and abroad and have exposure in future and equity derivatives as well.

For market risks of the Bank that are mostly on interest rate and foreign exchange rate, the Bank is aware of increasing risks from the mentioned transactions in such a 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 risk tolerance for the interest rate and foreign exchange rate 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. This market risk management process covers related and significant risk factors.

Meanwhile, the Financial Markets Group is responsible for managing market risks in the trading book. The Market Risk Management Department is responsible for defining risk indicators and proposing risk tolerance for approval by the Risk Management Committee to be able to estimate and follow up on market risks in the trading book. The types of tools and indicators deployed include 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 the case that there is a limit breach



of market risk tolerances in the trading book or there is an irregularity.

For capital market investment in the SET and other markets 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 deployed to reduce the market risks. However, long-term investments of PHATRA still have high market risks due to its directional - both onshore and offshore securities - investment strategy. A decrease in the price of securities held by the Group would negatively affect the performance and profit of the Group. However, the Group is aware of risks on such investment strategy. The Group specifies the levels of risk tolerance for each investment. The Risk Management Department of the capital market business is responsible for defining standard risk tolerances such as VaR and volume limit of daily transactions and alerting relevant business units in the case that the risk in the trading book exceeds the limit or there is an unexpected irregularity.

Nevertheless, the volatility of security prices stem from factors which are out of control by the Group. Although the Group has a standardized market risk management process, the Group cannot guarantee a depletion of significant losses, in particular, when the volatility of market risk factors is higher than expected. That could negatively impact the performance and economic value of the Group.

9. The Bank is exposed to poor quality loans and high credit concentration. If the credit quality deterioration exceeds the Bank's expectation, the Bank's operating results will be significantly affected.

The volatility of the economy and instability in client industries would impact small-to-medium sized companies including retail clients, which are major

clients of the Bank, more intensively than corporate clients. As a result, the Bank would face high credit risks with a significantly volatile economy. Moreover, the Bank also has a high credit concentration on clients in the real estate sector which is caused by a narrowly distributed credit portfolio. If some key credit clients of the Bank encounter credit problems, the Bank would face high credit risk accordingly. As a result, the Bank must manage credit risk due to high credit concentration by specifying types of limits such as single lending limits and large borrower concentration limits.

As mentioned, the Bank faces risks due to poor loan quality according to the overall state of the economy and client industries. The Group has consistently developed the Bank's credit approval process to reduce the mentioned credit risks. This development includes specifying credit approval processes and policies; issuing guidelines to preliminarily classify clients relative to their loan objectives, payback capability, management competencies and security collaterals as well as regularly reviewing the credit portfolio of the Bank.

For retail clients, the Bank has considerably adjusted the concentration of retail credit products. Since the past year, home loans, personal loans and SME loans have seen high and steady growth. Auto hire purchase loans focus more on high-yield products which are used car loans and CarQuickCash loans. This will yield higher returns than new car loans which see a more competitive interest rate. The Bank still maintains quality in its credit approval process to reduce the risks of poor credit quality loans. In addition, the Bank has changed the approval method from asset-based lending to client profile-based lending. This allows the Bank to continuously grow its portfolio with new potential clients. In the past year, the Bank was one of the first banks to use the Bureau Score in the loan approval process with support from the National Credit Bureau (NCB) making the client screening

process more efficient. 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 strategy. This allows the Bank to offer quality clients a new range of credit products and increase their credit line properly.

In addition, the Bank also has a retail portfolio management to measure and evaluate credit risk at the portfolio level, both by products and by client segments to control credit risks. The Bank has consistently monitored all types of credit portfolios using the information management system which gives an in depth analysis with proposed potential solutions to the management and relevant committees. Moreover, the Bank has developed early warning indicators for credit portfolios to help manage risks in a timely manner. More importantly, the Bank is committed to focusing on the risk governance process of product programs of retail clients which only require approval from 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 would be no loss due to poor credit quality and credit concentration higher than the Bank's expectation. The Bank may need to spare more capital which could also be caused by a change in regulations of capital reservation. This would significantly impact the performance and dividend yield of the Bank.

10. Intense competition from large banks and emerging business groups may negatively affect the performance of the Bank.

The commercial banking business is more intensively competitive due to the changing behaviors of corporations in the market. Their behavior changes from relying on banks for key source of funds to relying on funds directly raised from investors

(Disintermediary) via debentures and bills of exchange. As a result, the demand for credit approval by the Bank decreases. Meanwhile, the bond market is highly enlarged and it impacts the overall credit growth of the Bank particularly bonds from large corporates with high trustworthiness and good financial status.

In addition, competition from both existing financial institutes and new business groups has also grown more aggressively. For the existing players, large banks are craving to expand their business into their new segments and services, specifically in the form of well-versed universal banking model. Meanwhile, small banks still have competitive disadvantages such as restricted economies of scale and economies of scope, which cause the product cost per unit to be higher than that of large banks. The disadvantages restrict their competitiveness and product bundles compared to other larger commercial banks. If the Bank cannot respond to such aggressive rivalry by offering new products and services as well as developing various market channels to cover and match client needs equivalent to or better than that of competitors, the Bank may lose the market share of its main business in the auto hire purchase and real estate loans or may lose business competitiveness. This could significantly affect the revenue and performance of the Bank in the long term.

On the part of new business players, the Fintech group, for example, deploys information technology to ease financial transactions to be more convenient, speedier and more economical. The Fintech business is continuously and rapidly growing in both Asia and global markets and has a similar trend domestically. The emerged Fintech business which has already introduced new risks to the Group includes electronic payments, information and knowledge services and loan services.

Fintech businesses in the electronic payment industry offer a cheaper option for clients in payments.



The 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, the Fintech business that offers a new set of loan services could provide a peer-to-peer matchup between borrowers and lenders with fees cheaper than that of a legacy loan service. These groups of Fintech businesses may cause the Group to lose clients and directly impact 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 the quality of products and services offered to clients. Furthermore, the Group has studied the impact of the new types of business and possible partnerships with Fintechs as a seeder, a capital venture, a business partner, a business merger or a subsidiary. Although the Group is prepared for the emerging impact, the mentioned risk factors are uncontrollable and hard to anticipate, for instance, changing market share, incomplete regulations for new businesses and preferred trends of financial transactions. These incorrect anticipations would certainly impact the performance of the Group.

11. The Group may be affected by reputation risk.

Reputation is of significance to businesses, especially 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. It could also bring positive effects on performance and financial status. Conversely, reputation loss could negatively impact the Group in the long run. Therefore, the Group makes its best effort to maintain its good reputation and has prepared measures to prevent and reverse situations which could impact the Group's reputation. These measures include setting up the Guidelines for Business Conduct and social

conscious business for sustainable business operation and staff trainings for operation that is efficient and satisfactory for clients and partners. However, the Group is not able to guarantee that the full implementation of these measures will be able to completely and immediately prevent and correct situations affecting the Group's reputation.

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

The Group's business depends on the experience, knowledge and expertise of personnel including credit analysts, marketing personnel, relationship managers, compliance personnel and high level management. For the Group to retain its quality personnel, the Board of Directors has established written guidelines for employee treatment. Such guidelines emphasize the appropriate system of employee benefits, training to encourage the development of personnel, equal and fair treatment for 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 it will be able to sufficiently recruit talented personnel. This could negatively affect business continuity and significantly impact the financial statement and performance of the Group.

13. Profit from the special asset management business may decrease or be depleted in the future.

The Group conducts the special asset management business through the Bank and mutual funds which are subsidiaries of the Bank. The Bank started its special asset management business since 1999 by

winning auctions of claims on financial institutions from the Financial Sector Restructuring Authority. During 2003 - 2006, the Bank auctioned debts under lawsuit from the Legal Execution Department. In 2010, the Bank bought investment units in the Gamma Capital Mutual Fund and Bangkok Capital Mutual Fund, which had similar operations to the Bank's other mutual funds. In 2017, the Bank profited from its special asset management business in the amount of Baht 439 million, amounting to 7.2% 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 at approximately Baht 7,020 million. The Bank does not anticipate an expansion or even remaining in this business. Its revenue continuity would be affected. The Bank has therefore continuously conducted other new business expansions to compensate the decreasing return of this business.



General Information

Name of Company	Kiatnakin Bank Public Company Limited
Stock Ticker	KKP
Type of Business	Commercial banking business, capital market business and other related businesses under the Financial Institution Business Act, Securities and Exchange Act and other related regulations
Number of Shares	846,751,109 ordinary shares and none of preferred share, with par value of Baht 10 per share (As of December 31, 2017)
Authorized Share Capital	Baht 8,467,511,090
Issued and Fully Paid-up Share Capital	Baht 8,467,511,090 (As of December 31, 2017)
Address	500 Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330
Company Registration Number	0107536000986
Telephone	0-2165-5555
Fax	0-2256-9933
Website	www.kiatnakinphatra.com

Names, Offices, Telephone and Fax Numbers of Referenced Entities

Registrar – Ordinary Share	Thailand Securities Depository Company Limited Stock Exchange of Thailand Building, 93 Ratchadapisek Road, Din Daeng, Bangkok 10400 Tel: 0-2009-9000 Fax: 0-2009-9991
Authorized Auditor	: Mrs. Unakorn Phruithithada Certified Public Accountant (Thailand) Registration No. 3257 PricewaterhouseCoopers ABAS Ltd. (“PwC”) 15 th Floor, Bangkok City Tower, 179/74-80 South Sathorn Road, Sathorn, Bangkok 10120 Tel: 0-2844-1000 Fax: 0-2286-5050
Legal Advisor	: Not Appointed
Advisor/ Manager under Management Contract	: Not Appointed

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

Juristic Person Name and Address	Type of Business	Number of Fully Paid-up Shares (Shares)	Percentage of Ownership (%)
1. Phatra Capital Public Company Limited 9 th 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 th , 8 th -11 th 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 th 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. Phatra Equity Market Neutral Asia Pacific Fund c/o Maples Corporate Services Limited PO Box 309, Ugland House Grand Cayman, KY1-1104, Cayman Islands	Investment management in overseas securities	1.00	99.98**
6. Erawan Law Office Company Limited 12 th Floor, KKP Tower B, 209/1 Sukhumvit 21 Road, KlongToey-Nua, Wattana, Bangkok 10110 Tel: 0-2664-0424 Fax: 0-2664-0980	Law office	10,000.00	99.96
7. CMIC Development Company Limited 10 th Floor, KKP Tower, 209/1 Sukhumvit 21 Road, KlongToey-Nua, Wattana, Bangkok 10110 Tel: 0-2664-1396-7 Fax: 0-2664-2163	Office rental and property management for the Bank and subsidiaries	230,000,000.00	80.58
8. BOT Lease (Thailand) Co., Ltd. Former Name : BTMU Leasing (Thailand) Company Limited 4 th 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



Juristic Person Name and Address	Type of Business	Number of Fully Paid-up Shares (Shares)	Percentage of Ownership (%)
9. Asia Recovery 1 Fund Phatra Asset Management Company Limited 19 th 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
10. Asia Recovery 2 Fund Phatra Asset Management Company Limited 19 th 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
11. Asia Recovery 3 Fund Phatra Asset Management Company Limited 19 th 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
12. Thai Restructuring Fund Phatra Asset Management Company Limited 19 th 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
13. Bangkok Capital Fund Phatra Asset Management Company Limited 19 th 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
14. Gamma Capital Fund Phatra Asset Management Company Limited 19 th 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
15. Rayongrungrong Company Limited 47/11 Rat Bamrung Road, Noen Phra, Muang, Rayong 21000	Buying and selling of own account of non-residential buildings	575,000.00	24.99

* Held by Phatra Capital Public Company Limited

** Management Share

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, 2017, 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, 2017, 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 8, 2017 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	107,481,497	12.69
2.	Chase Nominees Limited	Foreign juristic person	37,849,565	4.47
3.	Credit Suisse AG, Hong Kong Branch ^{/1}	Foreign juristic person	35,810,197	4.23
4.	Ms. Thitinan Wattanavekin	Thai ordinary person	35,532,761	4.20
5.	Eastern Sugar Co., Ltd. ^{/2}	Thai juristic person	35,000,804	4.13
6.	Ramkamhaeng Hospital Public Company Limited	Thai juristic person	34,867,143	4.12
7.	Mrs. Vansamorn Wannamethee	Thai ordinary person	26,192,703	3.09
8.	Chodthanawat Co., Ltd.	Thai juristic person	20,693,600	2.44
9.	J.P. Morgan Bank Luxembourg S.A. Lend	Foreign juristic person	18,698,324	2.21
10.	Ms. Yapha Thepkanchana	Thai ordinary person	17,199,900	2.03
Total top ten major shareholders			369,326,494	43.62
Others			477,424,615	56.38
Total			846,751,109	100.00



Shareholder Classified by Nationality	Number of Shares (Shares)	Shareholding (%)
Thai shareholders	627,468,514	74.10
Foreign shareholders	219,282,595	25.90

Remarks:

^{/1} 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 2017, 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
Total		20,680	100.00

^{/2} Eastern Sugar Co., Ltd. has Khunying Nattika Wattanavekin and Mr. Sukkarn Wattanavekin, holding 12.95% and 26.61% of the total company shares respectively, as primary shareholders. They held 0.24% and 1.72% 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, 2017, the outstanding of short-term debentures, long-term debentures and structured debentures totaled Baht 52,007.70 million. Details are as follows:

Outstanding of unsubordinated and unsecured short-term debentures (not exceeding 270 days): Baht 42,166.70 million

Symbol	Amount (Baht Million)	Issue Date	Maturity Date	Tenor (Month)	Coupon (p.a.) (% p.a.)
KK18110A	700.00	30/06/2017	10/01/2018	6	1.65
KK18104A	100.00	04/07/2017	04/01/2018	6	1.65
KK18105A	100.00	04/07/2017	05/01/2018	6	1.65
KK18103A	250.00	03/07/2017	03/01/2018	6	1.65
KK18105B	50.00	07/07/2017	05/01/2018	6	1.65
KK18108A	300.00	07/07/2017	08/01/2018	6	1.65
KK18111A	300.00	13/07/2017	11/01/2018	6	1.65
KK18115A	50.00	14/07/2017	15/01/2018	6	1.65
KK18115B	500.00	13/07/2017	15/01/2018	6	1.65
KK18118A	1,600.00	19/07/2017	18/01/2018	6	1.65
KK18119A	1,400.00	21/07/2017	19/01/2018	6	1.65
KK18109A	100.00	13/07/2017	09/01/2018	6	1.65
KK18116A	210.00	20/07/2017	16/01/2018	6	1.65
KK18118B	50.00	20/07/2017	18/01/2018	6	1.65
KK18216B	50.00	21/08/2017	16/02/2018	6	1.63
KK18221A	600.00	21/08/2017	21/02/2018	6	1.63
KK18222A	800.00	22/08/2017	22/02/2018	6	1.63
KK18301A	50.00	22/08/2017	01/03/2018	6	1.63
KK18215A	51.00	21/08/2017	15/02/2018	6	1.63
KK18215B	20.00	22/08/2017	15/02/2018	6	1.63
KK18223A	200.00	23/08/2017	23/02/2018	6	1.63
KK18301B	200.00	29/08/2017	01/03/2018	6	1.63
KK18207A	300.00	07/09/2017	07/02/2018	5	1.60
KK18208A	200.00	07/09/2017	08/02/2018	5	1.60
KK18308A	100.00	08/09/2017	08/03/2018	6	1.63
KK18319A	350.00	19/09/2017	19/03/2018	6	1.63
KK18319B	500.00	19/09/2017	19/03/2018	6	1.58
KK18322A	500.00	22/09/2017	22/03/2018	6	1.58
KK18323A	500.00	22/09/2017	23/03/2018	6	1.58
KK18326A	500.00	25/09/2017	26/03/2018	6	1.58
KK18327A	500.00	25/09/2017	27/03/2018	6	1.58



Symbol	Amount (Baht Million)	Issue Date	Maturity Date	Tenor (Month)	Coupon (p.a.) (% p.a.)
KK18322B	800.00	21/09/2017	22/03/2018	6	1.58
KK18220A	300.00	26/09/2017	20/02/2018	5	1.55
KK18227A	50.00	26/09/2017	27/02/2018	5	1.55
KK18227B	400.00	27/09/2017	27/02/2018	5	1.55
KK18228A	1,000.00	27/09/2017	28/02/2018	5	1.55
KK18226A	500.00	29/09/2017	26/02/2018	5	1.55
KK18327C	110.00	29/09/2017	27/03/2018	6	1.58
KK18402A	400.00	02/10/2017	02/04/2018	6	1.55
KK18403A	450.00	03/10/2017	03/04/2018	6	1.55
KK18406A	800.00	06/10/2017	06/04/2018	6	1.55
KK18410A	110.00	04/10/2017	10/04/2018	6	1.55
KK18206A	500.00	09/10/2017	06/02/2018	4	1.53
KK18412A	150.00	12/10/2017	12/04/2018	6	1.55
KK18405A	1,000.00	05/10/2017	05/04/2018	6	1.55
KK18206B	400.00	06/10/2017	06/02/2018	4	1.53
KK18208B	300.00	10/10/2017	08/02/2018	4	1.53
KK18213A	150.00	12/10/2017	13/02/2018	4	1.53
KK18419A	1,000.00	19/10/2017	19/04/2018	6	1.55
KK18417A	162.00	11/10/2017	17/04/2018	6	1.55
KK18215A	500.00	16/10/2017	15/02/2018	4	1.53
KK18424A	300.00	17/10/2017	24/04/2018	6	1.55
KK18521A	1,600.00	20/10/2017	21/05/2018	7	1.58
KK18426A	36.00	18/10/2017	26/04/2018	6	1.55
KK18420A	250.00	20/10/2017	20/04/2018	6	1.55
KK18518A	300.00	20/10/2017	18/05/2018	7	1.58
KK18420B	40.00	20/10/2017	20/04/2018	6	1.55
KK18425A	20.00	25/10/2017	25/04/2018	6	1.55
KK18524A	100.00	20/10/2017	24/05/2018	7	1.58
KK18524B	400.00	24/10/2017	24/05/2018	7	1.58
KK18525A	1,100.00	24/10/2017	25/05/2018	7	1.58
KK18528A	1,000.00	27/10/2017	28/05/2018	7	1.58
KK18530A	150.00	25/10/2017	30/05/2018	7	1.58

Symbol	Amount (Baht Million)	Issue Date	Maturity Date	Tenor (Month)	Coupon (p.a.) (% p.a.)
KK18426B	200.00	24/10/2017	26/04/2018	6	1.55
KK18425B	200.00	25/10/2017	25/04/2018	6	1.55
KK18524C	100.00	25/10/2017	24/05/2018	7	1.58
KK18515A	500.00	27/10/2017	15/05/2018	7	1.58
KK18531A	870.00	25/10/2017	31/05/2018	7	1.58
KK18502A	108.00	25/10/2017	02/05/2018	6	1.55
KK18131A	50.00	31/10/2017	31/01/2018	3	1.51
KK18724A	800.00	30/10/2017	24/07/2018	9	1.65
KK18522A	300.00	31/10/2017	22/05/2018	7	1.58
KK18726A	700.00	01/11/2017	26/07/2018	9	1.65
KK18731A	500.00	06/11/2017	31/07/2018	9	1.65
KK18802A	1,000.00	07/11/2017	02/08/2018	9	1.65
KK18730A	600.00	02/11/2017	30/07/2018	9	1.65
KK18802B	200.00	08/11/2017	02/08/2018	9	1.65
KK18802C	200.00	09/11/2017	02/08/2018	9	1.65
KK18809A	300.00	13/11/2017	09/08/2018	9	1.65
KK18725A	700.00	07/11/2017	25/07/2018	9	1.65
KK18725B	200.00	10/11/2017	25/07/2018	9	1.65
KK18810A	150.00	16/11/2017	10/08/2018	9	1.65
KK18807A	400.00	14/11/2017	07/08/2018	9	1.65
KK18810B	150.00	16/11/2017	10/08/2018	9	1.65
KK18329A	700.00	27/11/2017	29/03/2018	4	1.51
KK18329B	800.00	28/11/2017	29/03/2018	4	1.51
KK18830A	350.00	06/12/2017	30/08/2018	9	1.60
KK18831A	350.00	06/12/2017	31/08/2018	9	1.60
KK18827A	110.00	01/12/2017	27/08/2018	9	1.60
KK18531B	500.00	01/12/2017	31/05/2018	6	1.55



Symbol	Amount (Baht Million)	Issue Date	Maturity Date	Tenor (Month)	Coupon (p.a.) (% p.a.)
KK18307A	400.00	04/12/2017	07/03/2018	3	1.48
KK18307B	500.00	07/12/2017	07/03/2018	3	1.48
KK18613A	1,000.00	13/12/2017	13/06/2018	6	1.55
KK18614A	110.00	14/12/2017	14/06/2018	6	1.55
KK18621A	154.00	19/12/2017	21/06/2018	6	1.55
KK18620A	500.00	20/12/2017	20/06/2018	6	1.55
KK18621B	500.00	20/12/2017	21/06/2018	6	1.55
KK18622A	210.00	21/12/2017	22/06/2018	6	1.55
KK18627A	90.00	20/12/2017	27/06/2018	6	1.55
KK18625A	150.00	21/12/2017	25/06/2018	6	1.55
KK18628A	49.00	21/12/2017	28/06/2018	6	1.55
KK18628B	40.00	22/12/2017	28/06/2018	6	1.55
KK18618A	300.00	26/12/2017	18/06/2018	6	1.55
KK18619A	500.00	26/12/2017	19/06/2018	6	1.55
KK18327D	30.00	26/12/2017	27/03/2018	3	1.48
KK18627B	382.00	22/12/2017	27/06/2018	6	1.55
KK18627C	320.00	27/12/2017	27/06/2018	6	1.55
KK18626A	300.00	26/12/2017	26/06/2018	6	1.55
KK18705A	84.70	27/12/2017	05/07/2018	6	1.55
Total	42,166.70				

Outstanding of unsubordinated, unsecured, no convertible and no representative structured debentures and/or debentures having obligations imposed on debenture holders: Baht 1,546.00 million

Symbol	Amount (Baht Million)	Issue Date	Maturity Date	Tenor (Day)	Coupon (p.a.) (% p.a.)
KK197A	50.00	05/07/2017	05/07/2019	730	2.03
KK18112A	10.00	14/07/2017	12/01/2018	182	1.65
KK18112B	20.00	14/07/2017	12/01/2018	182	1.65
KK18112C	20.00	14/07/2017	12/01/2018	182	1.65
KK18216A	175.00	18/08/2017	16/02/2018	182	1.65
KK18216C	62.00	18/08/2017	16/02/2018	182	1.65
KK209A	275.00	08/09/2017	04/09/2020	1092	2.12

Symbol	Amount (Baht Million)	Issue Date	Maturity Date	Tenor (Day)	Coupon (p.a.) (% p.a.)
KK209B	145.00	08/09/2017	04/09/2020	1092	2.12
KK209C	100.00	08/09/2017	04/09/2020	1092	2.12
KK209D	185.00	08/09/2017	04/09/2020	1092	2.12
KK209E	150.00	15/09/2017	11/09/2020	1092	2.12
KK209F	88.00	15/09/2017	11/09/2020	1092	2.12
KK20OA	90.00	05/10/2017	01/10/2020	1092	1.99
KK20OB	61.00	05/10/2017	01/10/2020	1092	1.99
KK18518Z	80.00	17/11/2017	18/05/2018	182	1.55
KK18524Z	35.00	22/11/2017	24/05/2018	183	1.55
Total	1,546.00				

Outstanding of unsubordinated and unsecured long-term debentures: Baht 2,295.00 million

Symbol	Amount (Baht Million)	Issue Date	Maturity Date	Tenor (Year)	Coupon (p.a.) (% 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
KK183A	270.00	27/08/2014	19/03/2018	3.6	3.52
Total	2,295.00				

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 (p.a.) (% 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
Total	6,000.00				

2. Warrants

- No -



Dividend Policy

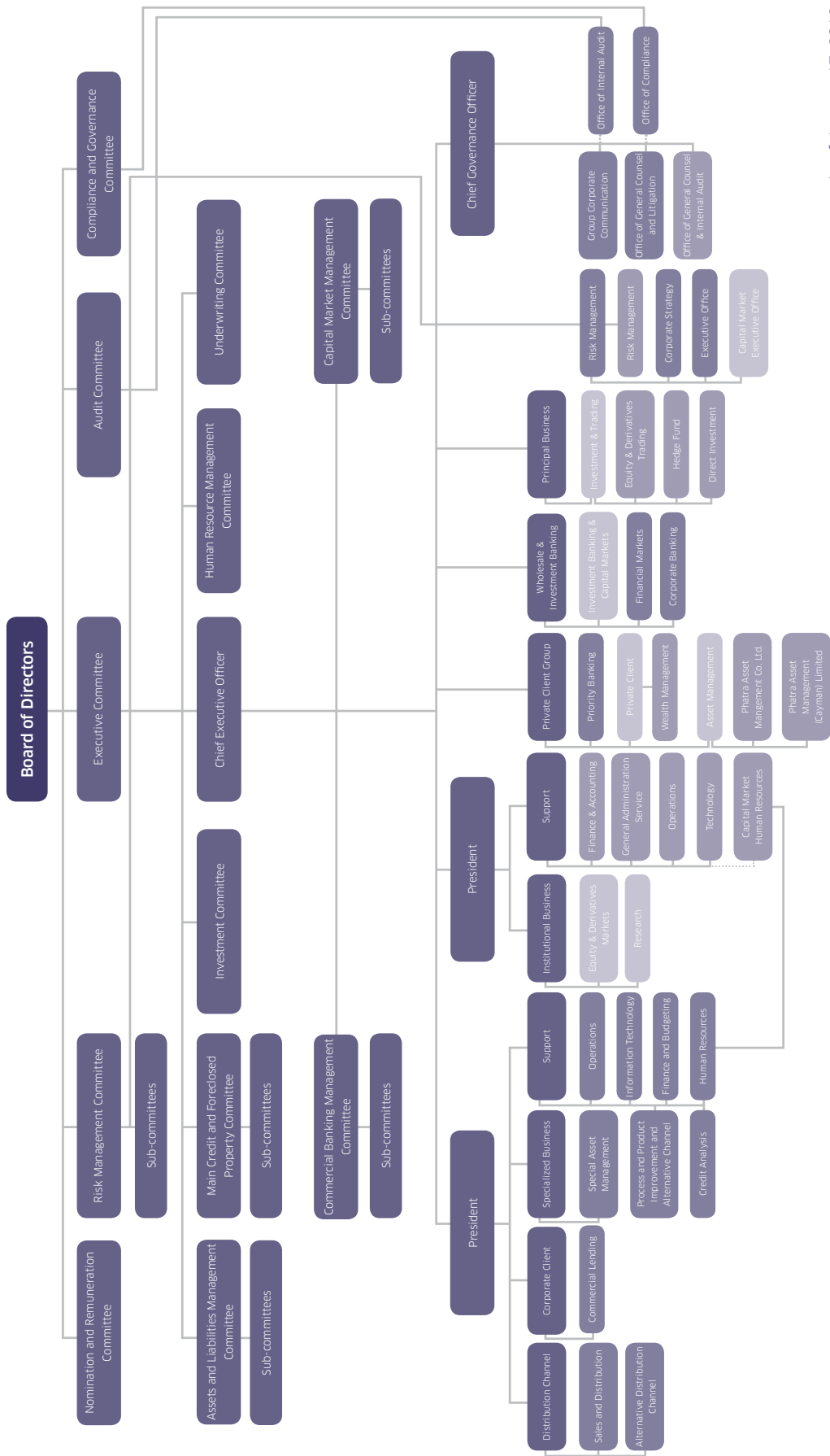
The Bank has a policy to pay dividend from the net profit in its financial statements. Payout of dividend must be approved by the shareholders' meeting. An interim dividend can also be paid by the Board of Directors' approval if the Bank's profit deems sufficient to do so and such payment shall be reported in the next shareholders' meeting.

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 reserve and capital adequacy level to encompass any business plans, risks as well as pre-and post-impacts from such a given dividend payment. Also, such dividend payment shall be in compliance with the governing laws and notifications of the Bank of Thailand.

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:

	2012	2013	2014	2015	2016
Earnings per share (Baht) (As from consolidated financial statement)	4.88	5.29	3.25	3.92	6.55
Dividend per share (Baht)	2.40	2.65	1.85	3.00	6.00
Dividend payout ratio (%)	49.18	50.09	56.92	76.53	91.60



As of January 17, 2018

- Group in Capital Market Business
- Department in Capital Market Business
- The Bank



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, 2017 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 short and long-term business directions and strategic goals of the Group for both financial and non-financial aspects and efficiently allocate significant resources within the Group to ensure the objectives and goals are achieved. The Board shall consider and approve the Group's business plans, proposed by the Executive Committee, by taking into account all changes to the Group's ecosystem and factors, define and approve those policies that are required by laws and regulators, and oversee and monitor the implementation of those policies through the Executive Committee to ensure that they are carried out efficiently and effectively in order to protect the benefits of the Group and its shareholders.
2. Oversee to ensure adequate and efficient allocation of resources, for instance, capital investment, personnel and technology, and promote the utilization of innovation to create business opportunities, improve business operation and risk management and enable the Bank to achieve the key business objectives and goals. The Board of Directors shall also define the proper remuneration structure to incentivize employees to fully perform their roles and may delegate the authority to other committees or designated persons to carry out and report the result to the Board of Directors as appropriate.
3. Ensure that the Bank's Guidelines for Business Conduct, including business ethics and 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.
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 Group has adequate and proper internal control and audit systems in place to make certain that transactions are made efficiently and comply with relevant laws and regulations.
6. Study and make understand the shareholder structure and relationship, which may affect the business management and operation, and 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. The review of committees' roles and responsibilities should be regularly conducted at least once a year.
8. Oversee that committees require the management to define and implement a system for the Bank's corporate governance in accordance with applicable laws and business nature. Consider and approve corporate governance system including monitor the effectiveness of the Bank's corporate governance system and give advice for further improvement.
 9. 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.
 10. 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 auditor and recommendations provided by the Executive Committee.
 11. 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.
 12. Appoint the CEO nominated by the Nomination and Remuneration Committee, determine the performance evaluation criteria for the CEO that aligns with the business performance, perform, or may delegate the authority to the Nomination and Remuneration Committee to perform, the annual performance evaluation of the CEO, and approve the remuneration according to the pre-determined criteria. Such remuneration should incentivize the competence to perform the duties to achieve the Group's long-term key objectives and goals.
 13. Appoint and establish a scope and authority of executives of the Bank and the highest-level executive of PHATRA nominated by the Nomination and Remuneration Committee.
 14. Ensure that the Bank has in place its policies on loans and investment with related parties.
 15. 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.
 16. Regularly review the Board of Directors' roles and responsibilities at least once a year to be in line with the changing business environment, industry, relevant factors, regulations and laws as well as enable the Bank to adapt in an appropriate and timely manner, and perform annual performance evaluation.
 17. 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 senior executives of the Bank.
7. To appoint and remove the Corporate 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 four independent directors, five non-executive directors and three executive directors, as follows:

1. Mr. Supol	Wattanavekin	Chairman/ Non-executive Director
2. Mrs. Dayana	Bunnag	Independent Director
3. Mr. Chet	Pattrakornkul	Independent Director
4. Mr. Pongtep	Polanun	Independent Director
5. Mr. Veravat	Chutichetpong	Independent Director
6. Mr. Tarnin	Chirasoonton	Non-executive Director
7. Mr. Suraphol	Kulsiri	Non-executive Director
8. Mr. Suvit	Mapaisansin	Non-executive Director
9. Prof. Dr. Anya	Khanthavit ^{/1}	Non-executive Director
10. Mr. Banyong	Pongpanich ^{/2}	Executive Director
11. Ms. Thitinan	Wattanavekin ^{/2}	Executive Director
12. Mr. Aphinant	Klewpatinond	Executive Director
Ms. Porntip	Chuprakhun	Corporate Secretary

Remarks ^{/1} Prof. Dr. Anya Khanthavit has been appointed as a director of the Bank by the resolution of the 2017 Annual General Meeting of Shareholders dated on April 24, 2017, replacing Assoc. Prof. Manop Bongsadadt, who retired by rotation.

^{/2} 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 six directors, provided that they jointly sign with the Bank's seal affixed: Mr. Supol Wattanavekin, 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 the Bank's internal control including information technology security and control to ensure the appropriateness and effectiveness.
3. Review the Bank's internal audit to ensure that it is suitable and efficient, consider 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 units in charge of an internal audit.
4. 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.
5. 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.
6. 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.
7. Prepare and disclose in the Bank's annual report, the 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.
8. 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.
9. 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.
 10. 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.
 11. 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.
 12. 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.
 13. Perform any other act as assigned by the Bank's Board of Directors and accepted by the Audit Committee.
 14. Perform any other act as the law prescribes on the authority of the Audit Committee.
 15. 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 and also meet with the Audit Committee of the Group at least twice a year. 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 has 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	Chairperson of the Audit Committee
2. Mr. Chet	Pattrakornkul	Member of the Audit Committee
3. Mr. Veravat	Chutichetpong	Member of the Audit Committee
Dr. Narong	Preedanani	Secretary of the Audit Committee

Mrs. Dayana Bunnag, Chairperson 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 the Bank's directors and executives 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, the Bank's executives, and the highest-level executive of PHATRA 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 the CEO prior to proposing to the Board of Directors. In addition, the committee shall establish the transparent payment policy of the remuneration and other benefits for other executives 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 the 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 Resource Management Committee. These guidelines will assist the Human Resource 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. Oversee that the Bank has a succession plan for executives in place to ensure planning and preparation for the critical positions.
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 as follows:

1. Mr. Veravat	Chutichetpong*	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

Remark * Independent Director



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 practices.
3. Oversee that the Bank and companies in the Group establish the process to take corrective actions for finding issues found by the regulatory agencies, the external auditor, the internal auditor and the compliance unit.
4. 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.
5. 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.
6. 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.
7. Regularly review the Bank's Corporate Governance Principles and its compliance with the international standards and suggestions of regulators, consider the assessment result of the Bank's corporate governance carried out by external entities and recommend the development of the Bank's Corporate Governance Principles to the Board of Directors for approval.
8. Approve the appointment, transfer and performance evaluation of the Head of the Office of Compliance.
9. 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 has 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	Chongsanguanpradab	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 has 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. Prof. Dr. Anya	Khanthavit	Member of the Risk Management Committee
4. Mr. Aphinant	Klewpatinond	Member of the Risk Management Committee
5. Mr. Krittiya	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. Determine short and long-term business directions and strategic goals of the Group for both financial and non-financial aspects by analyzing ecosystem and factors prior to proposing 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, prior to proposing to the Board of Directors for consideration by emphasizing on adequate and efficient allocation of key resources, 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 object in accordance with the specified limit, approve the legal expenses and litigation against the debtors and approve the securities underwriting and securities commitment of the Bank or companies in the Group within the specified limit and propose to the Board of Directors for acknowledgement.
8. Approve the unreviewed/ unaudited financial statements in order to disclose to the SET and relevant supervisory agencies and consider the reviewed/ audited financial statements before proposing to the Board of Directors for approval.

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 has 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	Satayaraks	Secretary of the Executive Committee

Mr. Supol Wattanavekin is the Executive Committee's advisor.

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 2017

Name of Director	Meeting Attendance in 2017					
	Board of Directors (Total 11 Meetings)	Audit Committee (Total 10 Meetings)	Nomination and Remuneration Committee (Total 6 Meetings)	Compliance and Governance Committee (Total 5 Meetings)	Risk Management Committee (Total 14 Meetings)	Executive Committee (Total 14 Meetings)
1. Mr. Supol Wattanavekin	11/11 ¹	-	-	-	13/14 ¹	10/14 ²
2. Assoc. Prof. Manop Bongsadatt ³	3/3	0/3	3/3 ¹	-	-	-
3. Mrs. Dayana Bunnag	9/11	9/10 ¹	-	-	-	-
4. Mr. Chet Pattrakornkul	11/11	10/10	6/6	5/5 ¹	-	-
5. Mr. Pongtep Polanun	11/11	-	-	-	-	-
6. Mr. Veravat Chutichetpong ⁴	11/11	7/7	3/3 ¹	-	-	-
7. Mr. Tarnin Chirasoonton	9/11	-	-	5/5	-	-



Name of Director	Meeting Attendance in 2017					
	Board of Directors (Total 11 Meetings)	Audit Committee (Total 10 Meetings)	Nomination and Remuneration Committee (Total 6 Meetings)	Compliance and Governance Committee (Total 5 Meetings)	Risk Management Committee (Total 14 Meetings)	Executive Committee (Total 14 Meetings)
8. Mr. Suraphol Kulsiri	10/11	-	-	-	-	-
9. Prof. Dr. Anya Khanthavit ^{/5}	8/8	-	-	-	12/14	-
10. Mr. Banyong Pongpanich	10/11	-	-	-	6/14	12/14 ¹
11. Mr. Suvit Mapaisansin	10/11	-	6/6	-	-	-
12. Ms. Thitinan Wattanavekin	11/11	-	-	-	-	9/14
13. Mr. Aphinant Klewpatinond	10/11	-	-	-	10/14	11/14

Remarks	^{/1} Chairman
	^{/2} Attended the meeting as an advisor
	^{/3} Retired from the Bank's director post by rotation in the 2017 Annual General Meeting of Shareholders dated on April 24, 2017
	^{/4} Appointed as member of the Audit Committee and Chairman of the Nomination and Remuneration Committee by the resolution of the Board of Directors' meeting no.4/2560 dated on April 27, 2017 and effective from May 1, 2017
	^{/5} Appointed as the Bank's director by the resolution of the 2017 Annual General Meeting of Shareholders dated on April 24, 2017, replacing Assoc. Prof. Manop Bongsadadt, who retired by rotation

Management

As of December 31, 2017, 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.	Mrs. Kulnan	Tsanthaiwo	First Executive Vice President Head of Priority Banking Group
6.	Mr. Chatchai	Dusadenoad	First Executive Vice President Head of Information Technology Group
7.	Mr. Chavalit	Chindavanig	First Executive Vice President Head of Finance and Budgeting Group
8.	Mr. Therapong	Vachirapong	First Executive Vice President Head of Corporate Strategy Group

No.	Name-Surname	Position
9.	Mr. Norachet Sangruji	First Executive Vice President Head of Corporate Banking Group
10.	Mr. Preecha Techarungchaikul	First Executive Vice President Head of Financial Markets Group
11.	Dr. Popanit Poommarapan	First Executive Vice President Head of Risk Management Group
12.	Mr. Pansalit Trakarnkitvichit	First Executive Vice President Head of Credit Analysis Group
13.	Mr. Pattarapong Raktabutr	First Executive Vice President Head of Alternative Distribution Channel Group
14.	Mr. Manit Wannavanit	First Executive Vice President Head of Sales and Distribution Group
15.	Mr. Worrakrit Jaruwongpak	First Executive Vice President Head of Operations Group
16.	Mr. Sammit Sakulwira ^{/1}	First Executive Vice President Head of Commercial Lending Group
17.	Mr. Sarawut Charuchinda ^{/2}	First Executive Vice President Advisor to Chief Executive Officer
18.	Ms. Nilawan Treekitjamroon	Senior Vice President Department Head of Accounting, Finance and Budgeting Group

Remarks ^{/1} Appointment effective from May 1, 2017

^{/2} Employment contract ended January 1, 2018

Corporate Secretary

The Board of Directors has appointed Ms. Pornpip 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 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 or 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 top 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 executive positions, 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 in sub-committees' meetings.
- Bonus: Annual remuneration for the directors which is related to the Bank's performance.

The 2017 Annual General Meeting of Shareholders, dated on April 24, 2017 approved a budget of Baht 30 million for the directors' remuneration (excluding directors' bonus) for the year 2017. The remuneration included retaining fee, attendance fee for sub-committees' meetings of the Bank and companies in the Group as assigned by the Board of Directors, other general benefits such as group life and health insurances, and remuneration for the advisors of the sub-committees paid to the Chairman of the Board of Directors and Chairman of the Executive Committee of which details were as follows:

Components of Remuneration	Retaining Fee (Baht / Month)	Attendance Fee (Baht / Meeting)
(1) Remuneration of Board of Directors		
- Chairperson	100,000	-
- Member	50,000	-
(2) Remuneration of Sub-committees		
- Chairperson	-	45,000
- Member	-	30,000
(3) Remuneration for the 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 for the 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 2017, the Board of Directors would propose to the 2018 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 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 2017. In general, the Bank paid all components of the remunerations and general benefits, such as group life and health insurances, in the total of Baht 24,026,961.29 which was under the 2017 directors' remuneration budget of Baht 30 million but excluded directors' bonus which would be proposed to the 2018 Annual General Meeting of Shareholders for approval. Furthermore, there was the remuneration of Baht 3,450,000 paid to the Bank's directors, who were also directors and/ or sub-committee members of the companies in the Group.



(Unit : Baht)

		Retaining Fee	Attendance Fee (Based on their attendance)										Retaining Fee		Total Directors' Remuneration of the Bank (Excluding Bonus)	2017 Bonus (pay in 2008)	Total Directors' Remuneration of the Bank of the Companies in the Group	Grand Total	
			Board of Directors	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						
No.	Board of Directors	1.	Mr. Supol Wattanavekin	1,200,000	-	-	-	540,000	-	-	-	-	3,000,000	4,740,000	3,000,000	7,740,000	-	7,740,000	
		2.	Mrs. Dayana Bunnag	600,000	405,000	-	-	-	-	-	-	-	-	1,005,000	1,500,000	2,505,000	-	2,505,000	
		3.	Mr. Chet Pattakornkul	600,000	300,000	180,000	225,000	-	-	-	-	-	-	1,305,000	1,500,000	2,805,000	-	2,805,000	
		4.	Mr. Pongtep Polanun	600,000	-	-	-	-	-	2,025,000	2,025,000	240,000	-	-	4,890,000	1,500,000	6,390,000	-	6,390,000
		5.	Mr. Verawat Chutichetpong	600,000	210,000	135,000	-	-	-	-	-	-	-	-	945,000	1,500,000	2,445,000	-	2,445,000
		6.	Mr. Tamin Chirasoonton	600,000	-	-	150,000	-	-	-	-	-	-	-	750,000	1,500,000	2,250,000	-	2,250,000
		7.	Mr. Suraphol Kulsiri	600,000	-	-	-	-	-	-	1,350,000	-	-	-	1,950,000	1,500,000	3,450,000	-	3,450,000
		8.	Mr. Suwit Mapaisansin	600,000	-	180,000	-	-	-	-	-	-	-	-	780,000	1,500,000	2,280,000	900,000	3,180,000
		9.	Mr. Banyong Pongpanich	600,000	-	-	-	-	180,000	540,000	-	-	540,000	-	3,600,000	3,000,000	8,460,000	1,290,000	9,750,000
		10.	Ms. Thitinan Wattanavekin	600,000	-	-	-	-	-	270,000	-	-	-	90,000	960,000	1,500,000	2,460,000	630,000	3,090,000
		11.	Prof. Dr. Anya Khanthavit ^{1,2}	400,000	-	-	-	-	240,000	-	-	-	-	-	640,000	1,031,510	1,671,510	630,000	2,301,510
		12.	Mr. Aphinart Kiewpathond	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Director who resigned/retired during 2017																			
1.		Assoc. Prof. Manop Bongsadact ¹	200,000	-	135,000	-	-	-	-	-	-	-	335,000	-	-	335,000	-	335,000	
Total			7,200,000	915,000	630,000	375,000	960,000	810,000	3,375,000	2,025,000	780,000	90,000	6,600,000	23,760,000	19,031,510	42,791,510	3,450,000	46,241,510	

^{/1}

Retired from the Bank's director post by rotation in the 2017 Annual General Meeting of Shareholders dated on April 24, 2017

^{/2}

Appointed as the Bank's director in replacement of Assoc. Prof. Manop Bongsadatt, who retired from the post by rotation in the 2017 Annual General Meeting of Shareholders dated on April 24, 2017

^{/3}

The Board of Directors will propose the directors' bonus for the year 2017 to the 2018 Annual General Meeting of Shareholders for approval. (Referring to the resolution of the 2017 Annual General Meeting of Shareholders dated on April 24, 2017)

* For the year 2017, the Bank paid other general benefits, such as group life and health insurances, in the amount of Baht 266,961.29.

** Directors, who receive monthly salary as executives of the Bank or companies in the Group, shall not be eligible for directors' retaining fee, attendance fee and bonus. (Referring to the resolution of the 2017 Annual General Meeting of Shareholders dated on April 24, 2017).

Remuneration 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 2017, the Bank paid compensation to fifteen executives, excluding four executives who are on secondment from subsidiaries, of Baht 197,405,080 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 4th 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 2017 was Baht 266,961.29.



Table shows changes in directors' KKP shareholding.

No.	Name of Director	Shareholding (Share)		Change Increase/ (Decrease) (Share)
		December 31, 2016	December 31, 2017	
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.	Mr. Chet Pattrakornkul	75,000	50,000	(25,000)
	Spouse	-	-	-
	Minor Children	-	-	-
4.	Mr. Pongtep Polanun	488	488	-
	Spouse	-	-	-
	Minor Children	-	-	-
5.	Mr. Veravat Chutichetpong	2,329,739	1,029,739	(1,300,000)
	Spouse	-	-	-
	Minor Children	-	-	-
6.	Mr. Tarnin Chirasoonton	100,000	100,000	-
	Spouse	-	-	-
	Minor Children	-	-	-
7.	Mr. Suraphol Kulsiri	97,000	97,000	-
	Spouse	-	-	-
	Minor Children	-	-	-
8.	Mr. Suvit Mapaisansin	1,029,406	779,406	(250,000)
	Spouse	-	-	-
	Minor Children	-	-	-
9.	Prof. Dr. Anya Khanthavit ¹	N/A	-	-
	Spouse	-	-	-
	Minor Children	-	-	-

No.	Name of Director	Shareholding (Share)		Change Increase/ (Decrease) (Share)
		December 31, 2016	December 31, 2017	
10.	Mr. Banyong Pongpanich	2,000,046	1,000,046	(1,000,000)
	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 ^{/1} Prof. Dr. Anya Khanthavit was appointed as director on April 24, 2017. Hence, a number of shareholdings as of December 31, 2016 is not appropriate comparison.

Table shows changes in executives' KKP shareholding.

No.	Name of Executive	Shareholding (Share)		Change Increase/ (Decrease) (Share)
		December 31, 2016	December 31, 2017	
1.	Mr. Aphinant Klewpatinond	550,000	550,000	-
	Spouse	-	-	-
	Minor Children	-	-	-
2.	Mr. Pracha Chumnarnkitkosol	-	-	-
	Spouse	-	-	-
	Minor Children	-	-	-
3.	Mrs. Patraporn Milindasuta	-	-	-
	Spouse	-	-	-
	Minor Children	-	-	-
4.	Dr. Anuchit Anuchitanukul	-	-	-
	Spouse	-	-	-
	Minor Children	-	-	-
5.	Mrs. Kulnan Tsanthaiwo	-	-	-
	Spouse	-	-	-
	Minor Children	-	-	-



No.	Name of Executive	Shareholding (Share)		Change Increase/ (Decrease) (Share)
		December 31, 2016	December 31, 2017	
6.	Mr. Chatchai Dusadenoad	-	-	-
	Spouse	-	-	-
	Minor Children	-	-	-
7.	Mr. Chavalit Chindavanig	375,000	375,000	-
	Spouse	-	-	-
	Minor Children	-	-	-
8.	Mr. Therapong Vachirapong	580	580	-
	Spouse	-	-	-
	Minor Children	-	-	-
9.	Mr. Norachet Sangruji ^{/1}	1,570,000	1,570,000	-
	Spouse	-	-	-
	Minor Children	-	-	-
10.	Mr. Preecha Techarungchaikul	-	-	-
	Spouse	-	-	-
	Minor Children	-	-	-
11.	Dr. Popanit Poommarapan	-	-	-
	Spouse	-	-	-
	Minor Children	-	-	-
12.	Mr. Pansalit Trakarnkitvichit	-	-	-
	Spouse	-	-	-
	Minor Children	-	-	-
13.	Mr. Pattarapong Raktabutr	-	-	-
	Spouse	-	-	-
	Minor Children	-	-	-
14.	Mr. Manit Wannavanit	15,000	15,000	-
	Spouse	-	-	-
	Minor Children	-	-	-
15.	Mr. Worrakrit Jaruwongpak	-	-	-
	Spouse	-	-	-
	Minor Children	-	-	-

No.	Name of Executive	Shareholding (Share)		Change Increase/ (Decrease) (Share)
		December 31, 2016	December 31, 2017	
16.	Mr. Sammit Sakulwira ^{/2}	N/A	-	-
	Spouse	-	-	-
	Minor Children	-	-	-
17.	Mr. Sarawut Charuchinda ^{/3}	170,000	10,000	(160,000)
	Spouse	-	-	-
	Minor Children	-	-	-
18.	Ms. Nilawan Treekitjamroon	-	-	-
	Spouse	-	-	-
	Minor Children	-	-	-

Remark ^{/1} Mr. Norachet Sangruji was lending his 1,570,000 shares for SBL transaction. Hence, a number of shareholdings on the closing date is not available.

^{/2} Mr. Sammit Sakulwira was appointed as First Executive Vice President and Head of Commercial Lending Group effective from May 1, 2017. Hence, a number of shareholdings as of December 31, 2016 is not appropriate comparison.

^{/3} Mr. Sarawut Charuchinda's employment contract was ended on January 1, 2018.

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



Name-Surname/Position/ Appointment Date	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
1. Mr. Supol Wattanavekin • Chairman of the Board of Directors ¹⁾ (Authorized Director) • Chairman of the Risk Management Committee ¹⁾ Appointed as the Chairman of the Board of Directors effective on January 1, 2011 - Appointed as a director effective on April 1, 1973	62	• Master of Business Administration (Executive) Sasin Graduate Institute of Business Administration of Chulalongkorn University • Bachelor of Laws Ramkhamhaeng University Director Training Programs: • Chairman Dinner (2017) Thai Institute of Directors Association • Family Business Club Event (3/2017) Thai Institute of Directors Association • SET 100 Civil and State Cooperation (2016) The Stock Exchange of Thailand • Risk Management Program for Corporate Leader (RCL 3/2016) Thai Institute of Directors Association • CG Forum 4/2015 - Thailand CG Forum "Governance as a Driving Force for Business Sustainability" The Stock Exchange of Thailand • Director Certification Program Update (DCPU 1/2014) Thai Institute of Directors Association • CG Forum 2/2014 Corporate Governance in the Perspective of Investors The Stock Exchange of Thailand • Chairman Forum 1/2013 Meeting the AEC Challenge : Role of the Chairman Thai Institute of Directors Association • 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 • Financial Institution Governance Program (FGP 2/2011) Thai Institute of Directors Association	Ms. Thitinan Wattanavekin's elder brother	13,676,850 (1.62)	Kiatnakin Phatra Financial Group		
					2011 - present	Chairman of the Board of Directors Chairman of the Risk Management Committee	Kiatnakin Bank Public Company Limited
					Other Listed Companies		
					2004 - present	Director	The Erawan Group Public Company Limited
					Non-listed Companies		
					Jun 2017 - present	Director	Eastern Sugar Company Limited
					2015 - present	Director	Ruamwanthana Company Limited
					1990 - present	Chairman of the Board of Directors	BOT Lease (Thailand) Company Limited

*KKP shareholding includes share numbers of spouse and minor children.

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

*KKP shareholding includes share numbers of spouse and minor children.



Name-Surname/Position/ Appointment Date	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
2. Mrs. Dayana Bunnag • Independent Director ^{1/} • Chairperson of the Audit Committee ^{1/} Appointed effective on April 23, 2015	65	• Master of Business Administration University of Texas, Austin, U.S.A. • Bachelor of Economics (2 nd Class Honors) Chulalongkorn University Director Training Programs: • Seminar : Cyber Resilience Leadership (2017) Bank of Thailand • Independent Director Forum 2017 "Updated COSO Enterprise Risk Management : Integrating with Strategy and Performance" Thai Institute of Directors Association • Advance Audit Committee Program (AACP 25/2017) Thai Institute of Directors Association • Director Certification Program Update (DCPU 5/2015) Thai Institute of Directors Association • Corporate Governance for Capital Market Intermediaries (CGI 4/2015) Thai Institute of Directors Association • Role of the Nomination and Governance Committee (RNG 4/2013) Thai Institute of Directors Association • Capital Market Academy Leadership Program (CMA 11/2011) Capital Market Academy • Role of the Compensation Committee (RCC 11/2010) Thai Institute of Directors Association • Director Certification Program (DCP 2/2000) Thai Institute of Directors Association • Fund Manager Course - Course 1/1996 - Refresher Course 7/2005 - Refresher Course 11 (2/2007) - Refresher Course 15 (2/2009) Association of Investment Management Companies	None	None	Kiatnakin Phatra Financial Group		
					2015 - present	Independent Director Chairperson of the Audit Committee	Kiatnakin Bank Public Company Limited
					Other Listed Companies		
					None		
					Non-listed Companies		
					2016 - present	Director of the Pension Integration Committee	Ministry of Finance
					2015 - present	Member of the Investment Sub-committee	National Savings Fund
					2014 - present	Chairperson of the Audit Committee	Ocean Life Insurance Public Company Limited
					2012 - present	Director	
					2012 - present	Advisor to the President Vice Chairperson of the Executive Committee	Bangkok University
					2005 - present	Director	Buranburi Security Guard Company Limited
					2012 - 2017	Member of the Committee on Consideration of Guidelines for Investment of Insurance Companies in Other Businesses	Office of Insurance Commission
					2012 - 2017	Member of the Committee on Consideration of Draft Insurance Commission Declarations	
					2015 - 2016	Director Member of the Audit Committee	Metropolitan Electronic Authority
					Jul - Nov 2014	Director Member of the Audit Committee	

*KKP shareholding includes share numbers of spouse and minor children.

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

*KKP shareholding includes share numbers of spouse and minor children.



Name-Surname/Position/ Appointment Date	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
3. Mr. Chet Pattrakomkul <ul style="list-style-type: none">• Independent Director ^{/1}• Chairman of the Compliance and Governance Committee• Member of the Audit Committee• Member of the Nomination and Remuneration Committee ^{/1} Appointed as a director effective on April 7, 2005 and appointed as an independent director effective on April 7, 2006	69	<ul style="list-style-type: none">• Master's in Marketing (Certificate Program) Thammasart University• Bachelor of Science (Public Administration) Ramkhamhaeng University Director Training Programs: <ul style="list-style-type: none">• Seminar : Cyber Resilience Leadership (2017) Bank of Thailand• Independent Director Forum 2017• "Update COSO Enterprise Risk Management : Integrating with strategy and performance"• Thai Institute of Directors Association• Boards that Make a Difference (BMD 4/2017)• Thai Institute of Directors Association• Forum for Director : Nomination Committee Best Practice Guideline (1/2017)• Thai Institute of Director Association• Audit Committee Forum : The Audit Committee's Role in Compliance and Ethical Culture Oversight (1/2017)• Thai Institute of Directors Association• Forum for Director : Corporate Governance Code (2016)• Thai Institute of Directors Association• Corporate Governance for Capital Market Intermediaries (CGI 10/2015)• Thai Institute of Directors Association• CG Forum 1/2015 "CG in Substance Corporate Culture and CG Principles"• The Stock Exchange of Thailand• Director Certification Program Update (DCPU 1/2014)• Thai Institute of Directors Association• Financial Institutions Governance Program (FGP 2013)• Thai Institute of Directors Association• CG Forum 4/2013 "The Updated COSO's 2013 Integrated Internal Control : What the Board and Managements Should Do"• Thai Institute of Directors Association	None	50,000 (0.01)	Kiatnakin Phatra Financial Group		
					2011 - present	Chairman of the Compliance and Governance Committee	Kiatnakin Bank Public Company Limited
					2007 - present	Member of the Audit Committee	
					2006 - present	Member of the Nomination and Remuneration Committee	
					2006 - present	Independent Director	
					2005 - 2006	Director	
					Other Listed Companies		
					None		
					Non-listed Companies		
					2005 - present	Advisor	Thai Hire - Purchase Association

*KKP shareholding includes share numbers of spouse and minor children.

Name-Surname/Position/ Appointment Date	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
		<ul style="list-style-type: none"> The 2nd National Director Conference 2013 "Board Leadership Evolution" Thai Institute of Directors Association Role of the Nomination and Governance Committee (RNG 1/2011) Thai Institute of Directors Association Financial Institutes Reform in Thailand from Present to the Future (2010) Thai Institute of Directors Association Economy After the Crisis (2010) Thai Institute of Directors Association The Board's Role on Fraud Prevention and Detection (2010) Thai Institute of Directors Association Monitoring the System of Internal Control and Risk Management (MIR 5/2009) Thai Institute of Directors Association Monitoring of the Quality of Financial Reporting (MFR 7/2009) Thai Institute of Directors Association Monitoring Fraud Risk Management (MFM 1/2009) Thai Institute of Directors Association Board and Director Performance Evaluation (R-WS Workshop 2/2008) Thai Institute of Directors Association Corporate Governance Report of Thai Listed Companies (2007) Thai Listed Companies Association Monitoring the Internal Audit Function (MIA 1/2007) Thai Institute of Directors Association Audit Committee Program (ACP 17/2007) Thai Institute of Directors Association Role of the Compensation Committee (RCC 1/2006) Thai Institute of Directors Association DCP Refresher Course (3/2006) Thai Institute of Directors Association Director Certification Program (DCP 9/2001) Thai Institute of Directors Association 					

*KKP shareholding includes share numbers of spouse and minor children.



Name-Surname/Position/ Appointment Date	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
4. Mr. Pongtep Polanun • Independent Director ^{*/1} ^{*/1} Appointed effective on April 26, 2012	63	<ul style="list-style-type: none"> • Master of Business Administration (Business Management) Sasin Graduate Institute of Business Administration of Chulalongkorn University • Master of Economics (Financial Economics) The National Institute of Development Administration • Bachelor of Economics Thammasat University Director Training Programs: <ul style="list-style-type: none"> • Seminar : Cyber Resilience Leadership (2017) Bank of Thailand • Director Accreditation Program (DAP 36/2005) Thai Institute of Directors Association 	None	488 (0.00)	Kiatnakin Phatra Financial Group		
					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
					Other Listed Companies		
					2016 - present	Chairman of the Nomination and Remuneration 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
					Non-listed Companies		
					2007 - present	Director	K S P Square Company Limited
					2010 - 2012	Chairman of the Board of Directors	Krung Thai IBJ Leasing Company Limited

*KKP shareholding includes share numbers of spouse and minor children.

Name-Surname/Position/ Appointment Date	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
5. Mr. Veravat Chutichetpong <ul style="list-style-type: none"> Independent Director ¹⁾ Member of the Audit Committee Chairman of the Nomination and Remuneration Committee ¹⁾ Appointed effective on November 30, 2016	57	<ul style="list-style-type: none"> Master of Business Administration (Finance) New York University, U.S.A. BE in Civil Engineering, Chulalongkorn University Director Training Programs: <ul style="list-style-type: none"> Seminar : Cyber Resilience Leadership (2017) Bank of Thailand Corporate Governance for Capital Market Intermediaries (CGI 15/2016) Thai Institute of Directors Association Director Accreditation Program (DAP 40/2005) Thai Institute of Directors Association 	None	1,029,739 (0.12)	Kiatnakin Phatra Financial Group		
					May 2017 - present	Chairman of the Nomination and Remuneration Committee	Kiatnakin Bank Public Company Limited
						Member of the Audit Committee	
					2016 - present	Independent Director	
					2012 - 2013	Director	
					2010 - 2016	Independent Director	Phatra Capital Public Company Limited
					2010 - 2016	Director Chairman of the Audit Committee	Phatra Securities Public Company Limited
					Other Listed Companies		
					2016 - present	Director Member of the Audit Committee	Central Pattana Public Company Limited
					Non-listed Companies		
					2014 - present	Chairman of the Board of Directors	Aksorn Education Public Company Limited
					2010 - present	Director	Alpha Absolute Company Limited

*KKP shareholding includes share numbers of spouse and minor children.



Name-Surname/Position/ Appointment Date	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
6. Mr. Tamin Chirasoonton • Director ^{/1} • Member of the Compliance and Governance Committee	65	• Bachelor of Laws Ramkhamhaeng University Director Training Programs: • Seminar : Cyber Resilience Leadership (2017) Bank of Thailand • Corporate Governance for Capital Market Intermediaries (CGI 11/2016) Thai Institute of Directors Association • CG Forum 3/2015 "Risk Oversight : High Priority Roles Of the Board" The Stock Exchange of Thailand • CG Forum 1/2015 "CG in Substance Corporate Culture and CG Principles" The Stock Exchange of Thailand • Director Certification Program Update (DCPU 1/2014) Thai Institute of Directors Association • Role of the Nomination and Governance Committee (RNG 1/2011) Thai Institute of Directors Association • DCP Refresher Course (5/2007) Thai Institute of Directors Association • Advanced Business Management For Executive Program (ABM Exec 2005) The Continuing Education Center, Chulalongkorn University • Public Administration Course (2003) Political Science Faculty, Thammasat University • Director Certification Program (DCP 10/2001) Thai Institute of Directors Association • Real Estate and Skyscraper Management (1993) Faculty of Architecture, Chulalongkorn University	None	100,000 (0.01)	Kiatnakin Phatra Financial Group		
					2011 - present	Member of the Compliance and Governance Committee	Kiatnakin Bank Public Company Limited
					1999 - present	Director	
					Other Listed Companies		
					None		
					Non-listed Companies		
					2011 - 2015	Chairman of the Board of Directors	Erawan Law Office Company Limited
					2009 - 2011	Managing Director	

*KKP shareholding includes share numbers of spouse and minor children.

Name-Surname/Position/ Appointment Date	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
7. Mr. Suraphol Kulsiri • Director ^{1/} (Authorized Director) ^{1/} Appointed effective on June 21, 2004	65	<ul style="list-style-type: none"> Bachelor of Business Administration (Marketing) Bangkok University Director Training Programs: <ul style="list-style-type: none"> IOD Special Event 6/2016 : Family Business Club Dinner : The Professional Management Succession of Family Business Thal Institute of Directors Association CG Forum 2/2016 "Honesty, Caution : Shield for directors" The Stock Exchange of Thailand Director Certification Program Update (DCPU 5/2015) Thal Institute of Directors Association Role of the Nomination and Governance Committee Program (RNG 6/2014) Thal Institute of Directors Association Role of the Compensation Committee (RCC 3/2007) Thal Institute of Directors Association Director Certification Program (DCP 13/2001) Thal Institute of Director Association 	None	97,000 (0.01)	Kiatnakin Phatra Financial Group		
					2004 - present	Director	Kiatnakin Bank Public Company Limited
					Other Listed Companies		
					None		
					Non-listed Companies		
					2015 - present	Chairman of the Disciplinary Sub-Committee	Association of Thai Securities Companies
					2015 - present	Member of the Appeal Committee	Thailand Futures Exchange Public Company Limited (TFEX)
					2003 - 2011	Director Chairman of the Executive Committee	KKTRADE Securities Company Limited

*KKP shareholding includes share numbers of spouse and minor children.



Name-Surname/Position/ Appointment Date	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
8. Mr. Suwit Mapaisansin • Director ^{/1} (Authorized Director) • Member of Nomination and Remuneration Committee ^{/1} Appointed effective on September 12, 2012	58	• Master of Business Administration (Finance & International Business) Sasin Graduate Institute of Business Administration of Chulalongkorn University • Bachelor of Economics Chulalongkorn University Director Training Programs: • Seminar : Cyber Resilience Leadership (2017) Bank of Thailand • Corporate Governance for Capital Market Intermediaries (CGI 5/2015) Thai Institute of Directors Association • Audit Committee Program (ACP 37/2011) Thai Institute of Directors Association • Director Certification Program (DCP 12/2001) Thai Institute of Directors Association	None	779,406 (0.09)	Kiatnakin Phatra Financial Group		
					2016 - present	Member of the Nomination and Remuneration Committee	Kiatnakin Bank Public Company Limited
					2012 - present	Director	
					2012 - 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	
					2012 - 2015	Chairman of the Board of Directors	Phatra Asset Management Company Limited
					Other Listed Companies		
					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	
					Non-listed Companies		
					2015 - present	Director	Techcare International Company Limited
					2009 - present	Director	RPIC Pte. Ltd.
					2008 - present	Director	Ruamphon Phatra International Corp.
					2012 - 2015	Chairman of the Board of Directors	KKTRADE Securities Company Limited

*KKP shareholding includes share numbers of spouse and minor children.

Name-Surname/Position/ Appointment Date	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
9. Prof. Dr. Anya Khanthavit • Director ¹⁾ • Member of the Risk Management Committee ¹⁾ Appointed effective on April 24, 2017	55	• Ph.D., International Business and Finance New York University, U.S.A. • M.Phil. (Alpha Gamma Sigma) International Business and Finance New York University, U.S.A. • M.Sc. Transportation Management (Honors) State University of New York Maritime College, U.S.A. • Bachelor of Accounting Thammasat University Director Training Programs: • Advance Audit Committee Program (AAP 19/2015) Thai Institute of Directors Association • Director Certification Program (DCP 99/2008) Thai Institute of Directors Association	None	None	Kiattanakin Phatra Financial Group		
					Apr 2017 - present	Director	Kiattanakin Bank Public Company Limited
					2012 - present	Member of the Risk Management Committee	
					2012 - May 2017	Risk Management Advisor	
					2008 - 2012	Director	Phatra Securities Public Company Limited
					2008 - 2012	Advisor	
					2010 - 2012	Director	Phatra Capital Public Company Limited
					Other Listed Companies		
					Apr 2017 - present	Independent Director Member of the Audit Committee	The Electricity Generating Public Company Limited
					Non-listed Companies		
					Jan 2017 - present	Member of the Appeal Committee	Thailand Futures Exchange Public Company Limited (TFEX)
					2015 - present	Member of the Thailand Quality Award Committee	Thailand Productivity Institute
					2014 - present	Director	Thailand Tobacco Monopoly, Ministry of Finance
					2012 - present	Member of the Policy and Public Management Committee	Ministry of Finance
					2008 - present	Member of the Risk Management Sub-committee	The Stock Exchange of Thailand
					2005 - present	Professor in Banking and Finance (Level 11, Highest Class)	Thammasat University
					2002 - present	Member of the Performance Assessment Committee for State Enterprises	Ministry of Finance
					2016 - 2017	Member of the Sub-committee on the Monitoring of Co-operative Financial Problems	Office of the National and Anti-Corruption Commission
					2014 - 2017	Director	Government Pharmaceutical Organization
					1999 - 2017	Academic Consultant and Arbitrator to Settle Disputes from Bond Trading Transactions	Thai Bond Market Association

*KKP shareholding includes share numbers of spouse and minor children.



Name-Surname/Position/ Appointment Date	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
10. Mr. Banyong Pongpanich • Director ^{/1} (Authorized Director) • Chairman of the Executive Committee • Member of the Risk Management Committee ^{/1} Appointed effective on April 26, 2012	63	<ul style="list-style-type: none"> • Master of Business Administration (Finance & International Business) Sasin Graduate Institute of Business Administration of Chulalongkorn University • Bachelor of Economics Chulalongkorn University Director Training Programs: <ul style="list-style-type: none"> • Corporate Governance for Capital Market Intermediaries (CGI 15/2016) • Thai Institute of Directors Association • Anti-Corruption for Executive Program (ACEP 2/2012) • Thai Institute of Directors Association • Director Accreditation Program (DAP 36/2005) • Thai Institute of Directors Association • The Role of the Chairman Program (RCP 5/2001) Thai Institute of Directors Association	None	1,000,046 (0.12)	Kiatnakin Phatra Financial Group		
					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 Directors	Phatra Capital Public Company Limited
					2003 - present	Chairman of the Board of Directors	Phatra Securities Public Company Limited
					Other Listed Companies		
					2012 - present	Director	The Erawan Group Public Company Limited
					2004 - 2012	Independent Director	
					2010 - Apr 2017	Chairman of the Nomination and Remuneration Committee	Muang Thai Insurance Public Company Limited
					2008 - Apr 2017	Independent Director	
					2008 - 2012	Member of the Audit Committee	
					2009 - 2011	Director	Thai Airways International Public Company Limited
					Non-listed Companies		
					Nov 2017 - present	Director	Vajiravudh College
					2012 - present	Director Executive Director	Thailand Development Research Institute (TDRI)
					2011 - present	Director Executive Director	Buddhadasa Indapanno Archives
					2009 - present	Director	RPIC Pte. Ltd.

*KKP shareholding includes share numbers of spouse and minor children.

Name-Surname/Position/ Appointment Date	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	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	Cellenium (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 - 2016	Director	National Anti-Corruption Committee
					2014 - 2016	Director	State Enterprise Policy Office
					2014 - 2016	Prime Minister's Advisor	Prime Minister's Office

*KKP shareholding includes share numbers of spouse and minor children.



Name-Surname/Position/ Appointment Date	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
11. Ms. Thitinan Wattanavekin • Director ^{1/} (Authorized Director) • Member of the Executive Committee ^{1/} Appointed effective on January 1, 2011	60	<ul style="list-style-type: none"> • Master of Management Sasin Graduate Institute of Business Administration of Chulalongkorn University • Bachelor of Science (Public Affairs) University of Southern California, U.S.A. Director Training Programs: <ul style="list-style-type: none"> • Seminar : Cyber Resilience Leadership (2017) Bank of Thailand • Anti-Corruption : The Practical Guide (ACPG 33/2016) Thai Institute of Directors Association • IOD Special Event 6/2016 : Family Business Club Dinner : The Professional Management Succession of Family Business • Thai Institute of Directors Association • Director Certification Program Update (DCPU 5/2015) • Thai Institute of Directors Association • Corporate Governance for Capital Market Intermediaries (CGI 8/2015) • Thai Institute of Directors Association • Role of the Nomination and Governance Committee Program (RNG 6/2014) • Thai Institute of Directors Association • Financial Institutions Governance Program (FGP 5/2012) • Thai Institute of Directors Association • Financial Planning for Executive (2012) Thai Financial Planners Association • Current Issue Seminar (R-CIS 1/2008) • Thai Institute of Directors Association • Corporate Governance and Social Responsibility (CSR 1/2007) • Thai Institute of Directors Association • Capital Market Academy Leadership Program (CMA 2/2006) • Capital Market Academy • Board Performance Evaluation (2006) • Thai Institute of Directors Association • DCP Refresher Course (1/2005) • Thai Institute of Directors Association • Director Certification Program (DCP 1/2000) • Thai Institute of Directors Association 	Mr. Supol Wattanavekin's younger sister	35,532,761 (4.20)	Kiatnakin Phatra Financial Group		
					2011 - 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	
					2005 - 2012	Member of the Risk Management Committee	
					2012 - present	Director	Phatra Capital Public Company Limited
					2012 - 2016	Director	Phatra Securities Public Company Limited
					Other Listed Companies		
					None		
					Non-listed Companies		
					1999 - 2013	Director	KKTRADE Securities Company Limited
					2006 - 2011	Director	Chai Talay Hotel Company Limited

*KKP shareholding includes share numbers of spouse and minor children.

Name-Surname/Position/ Appointment Date	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
12. Mr. Aphinant Kiewpatinond <ul style="list-style-type: none"> • Director¹ (Authorized Director) • Chief Executive Officer² • President³ • Member of the Executive Committee • Member of the Risk Management Committee 	48	<ul style="list-style-type: none"> • Master of Science University of Maryland at College Park, U.S.A. • Master of Business Administration (Finance) University of Maryland at College Park, U.S.A. • Bachelor of Accountancy Chulalongkorn University Director Training Programs: <ul style="list-style-type: none"> • Corporate Governance for Capital Market Intermediaries (CGI 15/2016) • Thai Institute of Directors Association • Director Accreditation Program (DAP 82/2010) • Thai Institute of Directors Association 	None	550,000 (0.06)	Kiattanakin Phatra Financial Group		
					2016 - present	Chief Executive Officer and President	Kiattanakin Bank Public Company Limited
					2012 - present	Director Member of the Executive Committee Member of the Risk Management Committee	
					2013 - 2016	President and Chairman of Commercial Banking Business	
					2012 - 2013	President and Chairman of Capital Market Business	
					2016 - present	Chief Executive Officer	Phatra Capital Public Company Limited
					2010 - present	Director	
					2010 - 2012	Chief Executive Officer	
					2016 - present	Chief Executive Officer	Phatra Securities Public Company Limited
					2010 - present	Director	
					2009 - 2012	Chief Executive Officer	
					2015 - present	Chairman of the Board of Directors	Phatra Asset Management Company Limited
					2012 - present	Director	
					Other Listed Companies		
					2011 - 2013	Independent Director Member of the Audit Committee	Sriracha Construction Public Company Limited
					Non-listed Companies		
					2014 - present	Director	The Thai Bankers' Association
					2009 - present	Director	RPIC Plc. Ltd.
					2015 - Apr 2017	Director	Thai Listed Companies Association
					2015 - 2016	Chairman of the Board of Directors	KKTRADE Securities Company Limited
					2012 - 2015	Director	

*KKP shareholding includes share numbers of spouse and minor children.



Name-Surname/Position/ Appointment Date	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
13. Mr. Pracha Chumnamkikosol • First Executive Vice President • Head of Special Asset Management Group ^{/1} • Member of the Executive Committee ^{/1} 1Appointed effective on October 1, 2012	55	• Master of Business Administration (Finance) University of Texas, U.S.A. • Bachelor of Engineering Chulalongkorn University Director Training Programs: • Director Certification Program Update (DCPU 5/2015) Thai Institute of Directors Association • Corporate Governance for Capital Market Intermediaries (CGI 7/2015) Thai Institute of Directors Association • TLCA Executive Development Program (EDP 8/2011) Thai Listed Companies Associations • Senior Executive Program (SEP 22/2008) Sasin Graduate Institute of Business Administration of Chulalongkorn University • Overview of Current Macro Economic Condition Prudential Regulation-Impact to Thai Corporation (2007) The Thai Banker's Association • Blue Ocean Strategy (2007) Business Development Center • EVA Managing for Value Creation (2006) Sasin Graduate Institute of Business Administration of Chulalongkorn University • Director Certification Program (DCP 75/2006) Thai Institute of Directors Association • Risk Management (2005) The Thai Institute of Banking and Finance Association	None	None	Kiatnakin Phatra Financial Group		
					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 - 2016	Director	
					2006 - 2015	Member of the Risk Management Committee	
					2006 - 2012	Director	
					2012 - 2015	Director	Phatra Capital Public Company Limited
					2012 - 2015	Director	Phatra Securities Public Company Limited
					Other Listed Companies		
					None		
					Non-listed Companies		
					None		

*KKP shareholding includes share numbers of spouse and minor children.

Name-Surname/Position/ Appointment Date	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
14. Mrs. Patraporn Milindasuta <ul style="list-style-type: none"> • First Executive Vice President • Chief Governance Officer^{1/} • Member of the Executive Committee • Member of the Compliance and Governance Committee • Member of the Risk Management Committee 	54	<ul style="list-style-type: none"> • Master of Laws Chulalongkorn University • Bachelor of Laws Thammasat University • Barrister-at-Law The Thai Bar Under The Royal Patronage Director Training Programs: <ul style="list-style-type: none"> • Director Certification Program (DCP 244/2017) • Thai Institute of Directors Association • Family Business Governance (FBG 8/2017) • Thai Institute of Directors Association • ASEAN Corporate Secretaries Professional Exchange Programme (PEP 2016) • The Hong Kong Institute of Chartered Secretaries • CG Forum 2/2016 • "Honesty, Caution : Shield for directors" • The Stock Exchange of Thailand • CG Forum 1/2016 "Ethics : Corporate Governance Conscious" • The Stock Exchange of Thailand • Corporate Governance for Capital Market Intermediaries (CGI 10/2015) • Thai Institute of Directors Association • Compliance Officer (7/2014) • Faculty of Law, Chulalongkorn University • TLCA Executive Development Program (EDP 2008) • Thai Listed Companies Association • The Advanced Senior Executive Program (ASEP 2007) • Sasin Graduate Institute of Business Administration of Chulalongkorn University • Company Secretary Program (CSP 12/2005) • Thai Institute of Directors Association 	None	None	Kiattakin Phatra Financial Group		
					2016 - present	Member of the Executive Committee	Kiattakin 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 - 2016	Director	
					Apr - Sep 2012	Director	
					2012 - present	Director	Phatra Capital Public Company Limited
					2013 - 2014	Managing Director Chief Administrative Officer	
					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
					Other Listed Companies		
					None		
					Non-listed Companies		
					2016 - present	Advisor	The Capital Law Office Limited
					2014 - present	Chairperson	Thai Company Secretary Club
					2009 - present	Director	RPIC Plc. Ltd.
					2012 - 2016	Director	KKTRADE Securities Company Limited
					2015 - 2016	Director	Erawan Law Office Company Limited

*KKP shareholding includes share numbers of spouse and minor children.



Name-Surname/Position/ Appointment Date	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
15. Dr. Anuchit Anuchitanukul • First Executive Vice President • Head of Process and Product Improvement and Alternative Channels Group ^{†1} • Member of the Executive Committee	46	• Ph.D. (Computer Science) Stanford University, U.S.A. • Master of Engineering (Computer Science) Stanford University, U.S.A. • Master of Business Administration (Finance) Chulalongkorn University • Bachelor of Engineering (1 st Class Honors) Chulalongkorn University Director Training Programs: • Strategy and Innovation for Businesses in Asia (SIBA 2012) Massachusetts Institute of Technology (MIT), College of Management Mahidol University (CMMU) • OIC Advanced Insurance Institute (OIC AI 2012) Office Of Insurance Commission • Top Executive Program in Commerce and Trade (TEPCoT 2011) University of the Thai Chamber of Commerce • TLCA Executive Development Program (EDP 2009) Thai Listed Companies Association • Director Certification Program (DCP 93/2007) Thai Institute of Directors Association	None	None	Kiatnakin Phatra Financial Group		
					2016 - present	Member of the Executive Committee	Kiatnakin Bank Public Company Limited
					2013 - present	First Executive Vice President (Head of Process and Product Improvement and Alternative Channels Group)	
					Other Listed Companies		
					Dec 2017 - present	Qualified Expertise in Private Investments in State Undertakings Policy Committee	State Enterprise Policy Office
					2015 - present	Director	Aksorn Education Public Company Limited
					2010 - 2013	Senior Executive Vice President	Krungsri Bank Public Company Limited
					2010 - 2013	Director	Krungsri AXA Life Insurance Public Company Limited
					2009 - 2013	Director	Krungsri Panich Insurance Public Company Limited
					Non-listed Companies		
					2009 - 2013	Director	National ITMX Company Limited

*KKP shareholding includes share numbers of spouse and minor children.

Name-Surname/Position/ Appointment Date	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
16. Mrs. Kulnan Tsanhaipo • First Executive Vice President • Head of Priority Banking Group ¹⁾ ¹⁾ Appointed effective on June 1, 2014	53	<ul style="list-style-type: none">• Master of Science in Computer Information System (MSCIS) New Hampshire College, U.S.A• Master of Business Administration Sasin Graduate Institute of Business Administration of Chulalongkorn University• Bachelor of Political Science Chulalongkorn University <p>Director Training Programs:</p> <ul style="list-style-type: none">• Family Business Governance (FBG 9/2017) Thai Institute of Directors Association• IOD Special Event 6/2016 : Family Business Club Dinner : The Professional Management Succession of Family Business• Thai Institute of Directors Association Corporate Governance for Capital Market Intermediaries (CGI 8/2015)• Thai Institute of Directors Association Corporate Governance for Executives (CGE 3/2015) Thai Institute of Directors Association• Director Accreditation Program (DAP 37/2005) Thai Institute of Directors Association	None	None	Kiatnakin Phatra Financial Group		
					2014 - present	First Executive Vice President (Head of Priority Banking Group)	Kiatnakin Bank Public Company Limited
					May 2017 - present	Director	Phatra Asset Management Company Limited
					2012 - present	Managing Director (Head of Private Client Group)	Phatra Securities Public Limited
					Other Listed Companies		
None							
Non-listed Companies							
					2013 - present	Director	Princess Magg Foundation
					2012 - 2016	Director Member of the Audit Committee	KKTRADE Securities Company Limited

*KKP shareholding includes share numbers of spouse and minor children.



Name-Surname/Position/ Appointment Date	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
17. Mr. Chatchai Dusadenoad • First Executive Vice President • Head of Information Technology Group ^{/1} ^{/1} Appointed effective on October 1, 2015	50	• Master of Science (Computer Science) San Jose State University, U.S.A. • Bachelor of Engineering (Computer Engineering) Chulalongkorn University Director Training Programs: • IT Project Management (2014) CIMB Thai Bank Public Company Limited	None	None	Kiatnakin Phatra Financial Group		
					2015 - present	First Executive Vice President (Head of Information Technology Group)	Kiatnakin Bank Public Company Limited
					Other Listed Companies		
					2011 - 2015	Senior Vice President	CIMB Thai Bank Public Company Limited
					Non-listed Companies		
					2015 - present	Director	Core Company Limited
					2015 - present	Director	Iconic Men Company Limited

*KKP shareholding includes share numbers of spouse and minor children.

Name-Surname/Position/ Appointment Date	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
18. Mr. Chavait Chindavanig • First Executive Vice President • Head of Finance and Budgeting Group ^{/1} • Member of the Risk Management Committee ^{/1} Appointed effective on July 23, 2007	54	• Master of Business Administration Eastern Michigan University, U.S.A. • Bachelor of Engineering (Mechanical Engineering) Chulalongkorn University Director Training Programs: • Strategic Financial Leadership Program (SFLP 2017) Thai Listed Companies Association • Director Certification Program Update (DCPU 5/2015) • Thai Institute of Directors Association Corporate Governance for Capital Market Intermediaries (CGI 4/2015) Thai Institute of Directors Association • Monitoring the System of Internal Control and Risk Management (MIR 12/2012) Thai Institute of Directors Association • Monitoring the Quality of Financial Reporting (MFR 15/2012) Thai Institute of Directors Association • Monitoring the Internal Audit Function (MIA 11/2011) Thai Institute of Directors Association • Monitoring Fraud Risk Management (MFM 6/2011) Thai Institute of Directors Association • Audit Committee Program (ACP 3/2011) Thai Institute of Directors Association • TLCA Executive Development Program (EDP 2/2008) Thai Listed Companies Association • Director Certification Program (DCP 76/2006) Thai Institute of Directors Association • Director Accreditation Program (DAP 21/2004) Thai Institute of Directors Association	None	375,000 (0.04)	Kiattanakin Phatra Financial Group		
					2012 - present	First Executive Vice President	Kiattanakin Bank Public Company Limited
					2007 - present	Head of Finance and Budgeting Group	
					2007 - present	Member of the Risk Management Committee	
					2007 - 2012	Member of the Executive Committee	
					2011 - 2012	Head of Strategy and Organization Development Group	
					2012 - present	Director	Phatra Capital Public Company Limited
					2016 - present	Member of the Audit Committee	Phatra Securities Public Company Limited
					2012 - present	Director	
					2011 - Apr 2017	Director Member of the Audit Committee	Phatra Asset Management Company Limited
					Other Listed Companies		
					None		
					Non-listed Companies		
					2009 - 2016	Director	Erawan Law Office Company Limited
					2010 - 2016	Member of the Audit Committee	KKTRADE Securities Company Limited
					2009 - 2016	Director	

*KKP shareholding includes share numbers of spouse and minor children.



Name-Surname/Position/ Appointment Date	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
19. Mr. Therapong Vachirapong • First Executive Vice President • Head of Corporate Strategy Group ^{/1} ^{/1} Appointed effective on June 3, 2016	52	• Master of Business Administration (Finance) Western International University at Arizona, U.S.A. • Bachelor in Accounting (Finance) Thammasat University	None	580 (0.00)	Kiatnakin Phatra Financial Group		
					2016 - present	First Executive Vice President (Head of Corporate Strategy Group)	Kiatnakin Bank Public Company Limited
					2009 - present	Managing Director (Head of Equity Research Department)	Phatra Securities Public Company Limited
					Other Listed Companies		
					None		
					Non-listed Companies		
					None		

*KKP shareholding includes share numbers of spouse and minor children.

Name-Surname/Position/ Appointment Date	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
20. Mr. Norachet Sangruji • First Executive Vice President • Head of Corporate Banking Group ^{/1} • Member of the Risk Management Committee ^{/1} Appointed effective on May 15, 2015	55	• Master of Business Administration (Finance & Marketing) Syracuse University, U.S.A. • Master of Science in Electrical Engineering (Telecommunication) Syracuse University, U.S.A. • Bachelor of Engineering (Electrical Engineering) Chulalongkorn University Director Training Programs: • Director Certification Program (DCP 217/2016) Thai Institute of Directors Association • Corporate Governance for Capital Market Intermediaries (CGI 7/2015) Thai Institute of Directors Association • Director Accreditation Program (DAP 36/2005) Thai Institute of Directors Association	None	1,570,000 (0.19)	Kiatnakin Phatra Financial Group		
					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	
					Other Listed Companies		
					None		
					Non-listed Companies		
					Dec 2017 - present	Director	Noppakit Company Limited
					2000 - present	Director	Pantavanij Company Limited
					1990 - present	Director	Kasetin Company Limited
					2011 - present	Mutual Fund Working Group	Association of Thai Securities Companies
					2011 - present	Derivatives and Warrants Working Group	
					2009 - present	Member of the Sub-committee of Drafting on Announcements Regarding Issuance and Offering of Securities - Equity	
					2009 - present	Member of the Sub-committee of Self-Regulatory Organization	
					2009 - present	Chairman of the Investment Banking Club	

*KKP shareholding includes share numbers of spouse and minor children.



Name-Surname/Position/ Appointment Date	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
21. Mr. Preecha Techarungchaikul • First Executive Vice President • Head of Financial Markets Group ^{/1} ^{/1} Appointed effective on March 6, 2013	47	• Master of Science (Finance) University of Colorado, U.S.A • Bachelor of Business Administration (Industrial Management) Thammasat University	None	None	Kiattakin Phatra Financial Group		
					2013 - present	First Executive Vice President (Head of Financial Markets Group)	Kiattakin Bank Public Company Limited
					Other Listed Companies		
					None		
					Non-listed Companies		
					2011 - 2013	Head of Markets	Royal Bank of Scotland, Bangkok Branch

*KKP shareholding includes share numbers of spouse and minor children.

Name-Surname/Position/ Appointment Date	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
22. Dr. Popanit Poommarapan • First Executive Vice President • Head of Risk Management Group ¹⁾ ¹⁾ Appointed effective on October 1, 2012	55	• Ph.D. (Engineering Management) Missouri University of Science and Technology, U.S.A. • Operations Research Wichita State University, KS, U.S.A. • Master of Science (Engineering Management) University of Louisiana at Lafayette, U.S.A. • Bachelor of Engineering (Electrical Engineering) Chulalongkorn University Director Training Programs: • Risk Management Committee Program (RMC 1/2013) Thai Institute of Directors Association	None	None	Kiatnakin Phatra Financial Group		
					2012 - present	First Executive Vice President (Head of Risk Management Group)	Kiatnakin Bank Public Company Limited
					2016 - present	Director	Phatra Equity Market Neutral Asia Pacific Fund
					2016 - present	Director	Phatra Asset Management (Cayman) Limited
					2008 - 2012	Assistant Managing Director	Phatra Securities Public Company Limited
					Other Listed Companies		
					None		
					Non-listed Companies		
					None		

*KKP shareholding includes share numbers of spouse and minor children.



Name-Surname/Position/ Appointment Date	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
23. Mr. Pansalit Trakarnkitvichit • First Executive Vice President • Head of Credit Analysis Group ^{/1} • Member of the Risk Management Committee ^{/1} Appointed effective on November 1, 2014	53	• Master of Business Administration Woodbury University, U.S.A. • Bachelor of Economics California State University, U.S.A. Director Training Programs: • Cash Management Ace (1999) Citibank • Intermediate Risk (1998) Citibank • Trade Finance Products (1993) Bangkok Bank • Financial Analysis for FI (1993) JP Morgan	None	None	Kiatnakin Phatra Financial Group		
					2014 - present	First Executive Vice President (Head of Credit Analysis Group) Member of the Risk Management Committee	Kiatnakin Bank Public Company Limited
					Other Listed Companies		
					None		
					Non-listed Companies		
					2009 - 2012	President	Southeast Capital Company Limited

*KKP shareholding includes share numbers of spouse and minor children.

Name-Surname/Position/ Appointment Date	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
24. Mr. Pattarapong Raktabutr <ul style="list-style-type: none">First Executive Vice PresidentHead of Alternative Distribution Channel Group ¹⁾ ¹⁾ Appointed effective on December 1, 2015	50	<ul style="list-style-type: none">Master of Business Administration University of Louisville, U.S.A.Bachelor of Political Science Public Administrations Thammasat University Director Training Programs: <ul style="list-style-type: none">Leading Across Boundaries (2009) University of OxfordSales School (1995) Digital Equipment CorporationCustomer Quality Relation & Service (1994) Telecom Asia Corporation Public Company Limited	None	None	Kiatnakin Phatra Financial Group		
					2015 - present	First Executive Vice President (Head of Alternative Distribution Channel Group)	Kiatnakin Bank Public Company Limited
					Other Listed Companies		
					2004 - 2015	Executive Vice President (Head of Client Acquisition)	Standard Chartered Bank (Thai) Public Company Limited
					Non-listed Companies		
					None		

*KKP shareholding includes share numbers of spouse and minor children.



Name-Surname/Position/ Appointment Date	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
25. Mr. Manit Wannavit <ul style="list-style-type: none">First Executive Vice PresidentHead of Sales and Distribution Group ^{/1} ^{/1} Appointed effective on September 4, 2012	51	<ul style="list-style-type: none">Master of Public Administration The National Institute of Development AdministrationBachelor of Economics Ramkhamhaeng University	None	15,000 (0.00)	Kiatnakin Phatra Financial Group		
					2012 - present	First Executive Vice President (Head of Sales and Distribution Group)	Kiatnakin Bank Public Company Limited
					Other Listed Companies		
					Apr - Aug 2012	Executive Vice President, Provincial Branch Business Division, Distribution Group	Bank of Ayudhya Public Company Limited
					2010 - 2012	Senior Vice President	
					Non-listed Companies		
					None		

*KKP shareholding includes share numbers of spouse and minor children.

Name-Surname/Position/ Appointment Date	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
26. Mr. Worrakrit Jaruwongpak • First Executive Vice President • Head of Operations Group ^{/1} ^{/1} Appointed effective on January 16, 2014	56	• Doctor of Business Administration Western University • Master of Business Administration The National Institute of Development Administration • Bachelor of Economics Chiangmai University Director Training Programs: • Director Certification Program (DCP 179/2013) Thai Institute of Directors Association • Financial Institutions Governance Program (FGP 5/2012) Thai Institute of Directors Association	None	None	Kiatnakin Phatra Financial Group		
					2014 - present	First Executive Vice President (Head of Operations Group)	Kiatnakin Bank Public Company Limited
					Other Listed Companies		
					2010 - 2014	Executive Vice President	Bank of Ayudhya Public Company Limited
					Non-listed Companies		
					Aug 2017 - present	Director	Playing Cards Factory, Excise Department
					2015 - present	Chairman of the Board of Directors	C M I C Development Company Limited
					May - Jun 2016	Director	Erawan Law Office Company Limited
					2009 - 2013	Director	National ITMX Company Limited

*KKP shareholding includes share numbers of spouse and minor children.



Name-Surname/Position/ Appointment Date	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
27. Mr. Sammit Sakulwira • First Executive Vice President • Head of Commercial Lending Group ^{/1} ^{/1} Appointed effective on May 1, 2017	50	• Master of Business Administration (Finance) University of Wisconsin - Whitewater, U.S.A. • Bachelor of Science (Packaging and Material Technology) Kasetsart University Director Training Programs: • Governance Risk Management and Compliance (CRG) 2009 Internal class of Kasikorn Bank Public Company Limited • The Seven Habits of Highly Effective People 2004 Internal class of Kasikorn Bank Public Company Limited • Financial Executive Program (FINEX10) 2000 Thai Institute of Banking and Finance Association	None	None	Kiatnakin Phatra Financial Group		
					May 2017 - present	First Executive Vice President (Head of Commercial Lending Group)	Kiatnakin Bank Public Company Limited
					Other Listed Companies		
					2010 - Apr 2017	First Senior Vice President	Kasikorn Bank Public Company Limited
					Non-listed Companies		
					None		

*KKP shareholding includes share numbers of spouse and minor children.

Name-Surname/Position/ Appointment Date	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
28. Mr. Sarawut Charuchinda • First Executive Vice President • Advisor to Chief Executive Officer ¹⁾ ¹⁾ Appointed effective on May 1, 2017 Remarks : End of Contract on January 1, 2018	59	• Master of Business Administration (Finance) University of Mississippi, U.S.A. • Bachelor of Accountancy (2 nd Class Honors) Chulalongkorn University Director Training Programs: • Advanced Audit Committee Program (AAP 19/2015) Thai Institute of Directors Association • Director Certification Program (DCP 31/2003) Thai Institute of Directors Association	None	10,000 (0.00)	Kiatnakin Phatra Financial Group		
					May 2017 - present	First Executive Vice President, Advisor to Chief Executive Officer	Kiatnakin Bank Public Company Limited
					2012 - Apr 2017	First Executive Vice President (Head of Commercial Lending Group)	
					2005 - 2012	Head of Debt Restructuring Group Member of the Executive Committee Member of the Risk Management Committee	
					Other Listed Companies		
					2016 - present	Independent Director Chairman of the Audit Committee Member of the Nomination and Remuneration Committee	BT Wealth Industries Public Company Limited
					2012 - present	Independent Director Member of the Audit Committee	Union Auction Public Company Limited
					Non-listed Companies		
					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 - 2016	Director Managing Director	Erawan Law Office Company Limited

*KKP shareholding includes share numbers of spouse and minor children.



Name-Surname/Position/ Appointment Date	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
29. Mr. Krittiya Veeraburus • Member of the Executive Committee ^{/1} • Member of the Risk Management Committee ^{/1} Appointed effective on October 15, 2012	48	• Master of Business Administration (Finance & Investment) Golden Gate University, U.S.A. • Bachelor of Business Administration (Management) Chulalongkorn University Director Training Programs: • Corporate Governance for Capital Market Intermediaries (CGI 14/2016) Thai Institute of Directors Association • Capital Market Leadership Program (CMA 18/2014) Capital Market Academy • Director Accreditation Program (DAP 73/2008) Thai Institute of Directors Association	None	172 (0.00)	Kiatnakin Phatra Financial Group		
					2012 - present	Member of the Executive Committee Member of the Risk Management Committee	Kiatnakin Bank Public Company Limited
					2013 - 2016	Director	
					2013 - 2016	Chairman of Capital Market Business	
					2012 - 2016	First Executive Vice President (Head of Corporate Strategy Group)	
					Apr - Sep 2012	Director	
					2013 - present	Director	Phatra Capital Public Company Limited
					2013 - 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
					2016 - present	Managing Director (Head of Investment and Trading Group)	
					2013 - 2016	President	
					2012 - 2013	Managing Director (Head of Investment and Trading Group)	
					2013 - Apr 2017	Director	Phatra Asset Management Company Limited

*KKP shareholding includes share numbers of spouse and minor children.

Name-Surname/Position/ Appointment Date	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	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 - 2016	Director	Association of Thai Securities Companies (ASCO)
					2013 - 2016	Director	KKTRADE Securities Company Limited

*KKP shareholding includes share numbers of spouse and minor children.



Name-Surname/Position/ Appointment Date	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
30. Mrs. Patchanee Limapichat • Member of the Executive Committee ^{/1}	55	• Master of Business Administration California State University at Sacramento, U.S.A. • Bachelor in Political Science Chulalongkorn University Director Training Programs: • Corporate Governance for Capital Market Intermediaries (CGI 7/2015) Thai Institute of Directors Association • Director Accreditation Program (DAP 36/2005) Thai Institute of Directors Association	None	100,000 (0.01)	Kiatnakin Phatra Financial Group		
					2016 - present	Member of the Executive Committee	Kiatnakin Bank Public Company Limited
					2010 - present	Director	Phatra Capital Public Company Limited
					2016 - present	President	Phatra Securities Public Company Limited
					2004 - present	Director	
					2004 - 2016	Managing Director	
Other Listed Companies							
None							
Non-listed Companies							
None							

*KKP shareholding includes share numbers of spouse and minor children.

Name-Surname/Position/ Appointment Date	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
31. Ms. Nilawan Treekijamroon • Senior Vice President • Head of Accounting Department ¹ ¹ Appointed effective on January 1, 2015	44	<ul style="list-style-type: none"> • Master of Arts (Applied Finance) Kasetsart University • Bachelor of Accountancy Bangkok University • Certified Public Accountant registration No. 8140 	None	None	Kiatnakin Phatra Financial Group		
					2015 - present	Senior Vice President Head of Accounting Department	Kiatnakin Bank Public Company Limited
					2008 - 2012	Vice President Accounting Department	
					Other Listed Companies		
					None		
					Non-listed Companies		
					2013 - 2014	Vice President Accounting Department	Powerbuy Company Limited (a group company of Central Retail Corporation Limited)

*KKP shareholding includes share numbers of spouse and minor children.



Name-Surname/Position/ Appointment Date	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
32. Ms. Pornnip Chuprakhun • Corporate Secretary ^{/1} • Senior Vice President • Head of Corporate Secretariat Department	49	<ul style="list-style-type: none"> • Master of Business Administration Assumption University • Bachelor of Arts (Political Science) Kasetsart University Training Programs: <ul style="list-style-type: none"> • ASEAN Corporate Secretaries Professional Exchange Programme (PEP 2016) • The Hong Kong Institute of Chartered Secretaries • Thai Intelligent Investors Program (TIIP - 13/2559) • Thai Investor Association • Compliance Officer (7/2014) • Faculty of Law, Chulalongkorn University • Fundamental Practice for Corporate Secretary (FPCS 23/2011) • Thai Listed Companies Association • Board Reporting Program (BRP 1/2009) • Thai Institute of Directors Association • Company Secretary Program (CSP 17/ 2006) • Thai Institute of Directors Association • Effective Minute Taking (EMT 2/2006) • Thai Institute of Directors Association • Corporate Secretary Development Program (11/2005) • Faculty of Commerce and Accountancy, Chulalongkorn University 	None	59,001 (0.01)	Kiatnakin Phatra Financial Group		
					2011 - present	Senior Vice President, Head of Office of Corporate Secretariat Department	Kiatnakin Bank Public Company Limited
					2010 - present	Corporate Secretary	
					Other Listed Companies		
					None		
					Non-listed Companies		
					None		

*KKP shareholding includes share numbers of spouse and minor children.



Directors of Subsidiaries

Name - Surname			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 with a significant revenue of more than 10% of the consolidated total income of the financial year.

Personnel

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

The year 2017 was the second year of the Group's three-year business management plan (2016 - 2018) which emphasized on the co-operation among all units in the Group with the aim to utilize synergies of the Group. The Group's personnel continued to develop the collaboration mainly for the Group's success. The Group has improved its business model and processes to improve and create more competitive advantage and business opportunities and to further stabilize the business operation. As of December 31, 2017, the Bank and subsidiary companies employed 4,497 personnel in total, increased by 327 persons or 9.2% from the end of 2016. Details are as follows:

The Bank and Subsidiaries	Number of Personnel	
	2016	2017
Kiatnakin Bank Public Company Limited	3,647	4,017
Phatra Capital Public Company Limited	48	30
Phatra Securities Public Company Limited	360	384
Phatra Asset Management Company Limited	50	54
CMIC Development Company Limited	15	12
Phatra Asset Management (Cayman) Limited	-	-
Phatra Equity Market Neutral Asia Pacific Fund	-	-
Total	4,120	4,497

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 who possess knowledge, expertise as well as principles and value which are in line with the Group, 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 on 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 processes. 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, comprehended and communicated to all employees and it is conducted twice a year.

(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 2017, 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:

- 1) Equitability
- 2) Performance Based
- 3) 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 for branches opening for six or seven days per week, 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 insurances, 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 of the Kiatnakin Registered Provident Fund and the Provident Fund SCBAM Master Fund Already Registered. 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	5, 8, 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 funds consist 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 funds allow 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. The Bank 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 Insurances

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 compensations, the Bank provides other compensation to promote and develop employees' capability such as challenging job assignments, personal development through training programs and other systems, job transfer and assignment to work between the commercial banking business and capital market business, flexible work time and employee's activities within the Bank and the Group, etc.

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 2017, 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 overseas 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 Bank 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 constantly follows the succession plan policy. During 2017, the Bank reviewed the policy and expanded its scope to include critical positions and acting positions (for emergency case) to ensure the Bank has knowledgeable and capable personnel to continually support its business operation. The talent pool management will have great opportunity in their career paths and will be developed in several aspects to become successors in necessary and critical positions in the management level and/ or positions which require special expertise. The succession plan is annually reported to the Board of Directors.

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) and widely communicates these principles to executives and employees via its intranet system (KK World) to ensure better understanding and strict compliance of the principles.

Implementation of Corporate Governance Code for Listed Companies 2017 ("CG Code") Released by the SEC

During the Board of Directors' Meeting no. 9/2560 held on October 12, 2017, in which more than half - 11 out of 12 – of directors attended, the Board of Directors discussed the 8 principles and guidelines of CG Code released by the SEC. The Board of Directors contemplated their suitability for the Bank's business context to ensure that the Bank and the Group have a long-term satisfactory business performance and sustainable value creation including shareholders' and stakeholders' trust, which meets the expectation of the business sector, investors, the capital market and society.

The Board of Directors has the opinion that the Bank's current practice aligns with the 8 principles of CG Code. There are only some unapplied guidelines under Principle 3: Strengthen Board Effectiveness due to the fact that they are currently inapplicable as follows:

- Guideline 3.2.1: The chairman of the board should be an independent director.
- Guideline 3.2.4: In case the chairman is not an independent director, the Board of Directors should ensure the balance of power and authority between the Board and the management by having the board comprise a majority of independent directors or appointing a designated independent director to participate in setting the agenda of the Board of Directors' meetings.
- Guideline 3.2.5: The Board of Directors should establish the policy that the tenure of an independent director should not exceed a cumulative term of nine years from the first day of service.

The Bank does not define the maximum number of terms of service for directors to prevent losing the opportunity to appoint directors who are knowledgeable, competent and experienced in the Bank and companies in the Group, which is the key success factor for corporate governance. In this regard, the Bank is confident that the independent directors can perform their duties independently according to the roles and responsibilities.

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:

- One of 344 listed companies to be ranked "4 TIA" within 90 – 99 score range from the quality assessment of the Annual General Meeting of the Shareholders for 2017 by the Thai Investors Association, the SEC and Thai Listed Company Association;
- Rated "Excellent" CG scoring from the Corporate Governance Report of Thai Listed Companies in 2017 and received five logos from the Institution of Directors;
- One of 65 listed companies selected by the SET to receive Thailand Sustainability Investment 2017 for three consecutive years due to efforts to develop good corporate governance, responsibilities to the environment and society and business management under corporate governance (Environmental, Social and Governance/ ESG) in order to uphold sustainable growth and build trust for all stakeholders;
- One of 100 listed companies selected by THAIPAT's ESG Rating Unit to be on the list of ESG100 in the year 2017 for the third

consecutive year due to outstanding sustainability performance in ESG aspects; and

- Recertification of membership to Thailand's Private Sector Collective Action Coalition Against Corruption (CAC).

In 2017, 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 fixing of 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 derogating the rights of shareholders.

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

The Bank's Annual General Meeting of Shareholders ("AGM") is 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 2017, the AGM was held on April 24, 2017, which was not on a commercial bank holiday, at the Grand Hyatt Erawan Bangkok Hotel, which offered convenience in transportation for shareholders. During 2017, 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, registration was opened no 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 from 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 gave information relevant to the shareholders' meeting, such as their legitimate rights in 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 also prepared all AGM documents in English, which were disclosed concurrently with the Thai version, 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 on its website 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 the types and amount of remuneration proposed, the Bank provided information on policy, guidelines and criteria for considering directors' remuneration. For the auditor appointment agenda, the Bank disclosed complete details of proposed auditors including their names, audit firm, experience, independence, remuneration, etc. Objectives, rationales and the directors' opinions of each agenda item are stated clearly in the notice of AGM.

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

For the shareholders' ultimate benefit, once the meeting date had been announced, the Bank allowed shareholders to submit questions relevant to the shareholders' meeting agenda. 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 regarding the meeting agenda 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 the opportunity for shareholders to propose agenda items for the AGM and nominate directors before the notice of AGM was issued. For the 2017 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 October 1 to December 30, 2016. 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 2017 AGM and no director was nominated to be the Bank's director 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' opinions 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 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 2017 AGM, the Bank proposed two independent directors to shareholders for granting proxies. 740 shareholders, representing 147,801,921 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 the Nomination and Remuneration Committee, CEO, President, heads of business and supporting groups, senior executives and auditor to participate in all AGMs to provide additional information and answer questions to shareholders. In 2017, all Chairmen of the Board of Directors and committees under the supervision of the Board of Directors (except the Chairperson of the Audit Committee who engaged in urgent business), CEO, President, heads of business, senior executives in charge of finance including auditor were present at the 2017 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 2017 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 approve/ against/ abstaining and voided cards) 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 are required to report such interest and 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 of 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 have 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 KK 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 of 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 and disclose information transparently and fairly to all shareholders – both major shareholders and minorities – for the utmost benefit of shareholders as a whole and to 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 initiate innovation in product and service development including process improvement. This is aimed to provide best-quality products and services to clients by keeping in mind their needs and benefits. The Group provides complete and accurate information about products and services without any distortion of fact, does advertising and public relation activities responsibly without misrepresentation or exploitation of clients' misunderstanding to avoid promoting undesirable behavior and implement no practice that is unjust, ensures that clients are consistently treated in accordance to terms agreed with care and honesty and respects 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 about 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 carries out the client satisfaction survey and monitors its result, and 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 appointments, transfers 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 for its 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 policy of 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 policy 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. The system to manage and monitor is in place to ensure the strict adherence to the terms of 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 that requires the selection process for sellers, counterparties and consultants to be based on the premise that the Bank will receive maximum benefit. This is done in a transparent manner, free from any bias and is able to be audited. The opportunity will be provided for all qualified counterparties to submit their proposals. Employees are not allowed to receive any benefit from parties entering the bidding process. If there is any evidence of dishonestly requested or receipt of benefit, counterparties will be informed so the problem will be solved in a fair and timely manner.

The Bank's procurement process comprises the selection of sellers/ service providers and the comparison of price and conditions to create fair competition. To ensure the Bank's utmost benefit, the Bank will undertake price and conditions negotiation, Know Your Suppliers, goods/ service acceptance, sellers/ service providers' performance evaluation - post-delivery and yearly service- and

Approved Supplier List by taking into account various aspects. For instance, goods/ service quality, vendor expertise and experience from previous performance records, financial status, complaints and lawsuit, vendor reputation and reliability, after-sales service and confidentiality of the Bank's information, etc. In terms of normal procurement, the Bank will check the price from a minimum of three vendors to compare and select the most suitable vendor/ service provider. For urgent or continual procurement, the Bank will inquire the price from at least one vendor from Approved SupplierList and subsequently negotiate the price.

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 relevant 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; take part in any activity that causes harm to the community, society or environment and partake of any profit that can arise from burdening society.

The Group stands firm in its commitment to the synergy of the benefit of the organization, clients and shareholders with the economic development and financial markets 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 Policy, Corporate Governance Principles, Anti-corruption Policy and regulations according to Thai laws on anti-corruption which are 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. The Bank and all of its subsidiaries in the capital market group have been certified as full members of the CAC. In addition, in 2017, the Bank, PHATRA, PTSEC and PASSET were recertified the membership of 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 Sub-committee, 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 when they see 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 email, the Bank's website, annual report and CSR report. 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 employees to send e-Cards to clients and counterparties in New Year well-wishing and about not providing gifts to directors, executives and employees of the Group during the New Year festival or other occasions.

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 discussions 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 2017, senior executives and the investor relations officers 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 and conference call	28
Analyst and investor meeting	5
Domestic investor conference	4
International roadshow	6
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 relations 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, 31st 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. 2/2560, on February 23, 2017, 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 2017. 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 2017 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 four independent directors, five 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 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 will take leading roles for the Board of Directors covering the following aspects:

- (1) Oversee, monitor, and ensure that the Bank's Board of Directors efficiently carries out its duties to achieve its objectives.
- (2) Ensure that all directors contribute to the Bank's ethical culture and good corporate governance.
- (3) Set the Board meeting agenda by discussing with the CEO to ensure that important matters are included.
- (4) Allocate sufficient time for management to propose topics and for directors to debate important matters thoroughly. Encourage directors to exercise independent judgment in the best interest of the Bank.
- (5) Promote a culture of openness and debate through ensuring constructive relations between executive and non-executive directors and between the Board and management.

- *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 the 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 the 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 which is 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 the 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 the 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 subsidiaries;

- (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.10/2560 dated on November 9, 2017 reviewed the Bank's vision and mission in order to be consistent 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 policy so that directors, officers and employees of the Group have a standard framework for the performance of duties. The Guidelines for Business Conduct policy 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) treat individuals with respect and dignity; (6) safeguarding the Bank's information, assets and property; (7) compliance with the 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 policy 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 policy on an annual basis.

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 the 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. In order to enable the directors to allocate their time and participate in the meetings, Board of Directors' meetings will be normally convened on the last Thursday of each month. Additional Board meetings may be rescheduled or held, if necessary. Each director should have at least 75% attendance of all the meetings held in a year.

The 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 2017, the Board of Directors met eleven times. Also, there was one internal meeting among non-executive directors held on December 16, 2017 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 sessions 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 2017, there were eleven directors and senior executives who attended the training programs of the IOD, the Bank of Thailand and Thai Listed Companies Association as per details shown in Profiles of the Directors, Executives, Controlling Persons and Corporate Secretary section and summarized as follow:

No.	Name of Director and Senior Executive	Course	Course Organizer
1.	Mr. Supol Wattanavekin	<ul style="list-style-type: none"> - Chairman Dinner (2017) - Family Business Club Event (3/2017) 	<ul style="list-style-type: none"> - Thai Institute of Directors Association - Thai Institute of Directors Association
2.	Mrs. Dayana Bunnag	<ul style="list-style-type: none"> - Seminar : Cyber Resilience Leadership (2017) - Independent Director Forum 2017 "Update COSO Enterprise Risk Management : Integrating with Strategy and Performance" - Advance Audit Committee Program (AACP 25/2017) 	<ul style="list-style-type: none"> - Bank of Thailand - Thai Institute of Directors Association - Thai Institute of Directors Association
3.	Mr. Chet Pattrakornkul	<ul style="list-style-type: none"> - Seminar : Cyber Resilience Leadership (2017) - Boards that Make a Difference (BMD 4/2017) - Independent Director Forum 2017 "Update COSO Enterprise Risk Management : Integrating with Strategy and Performance" - Forum for Director : Nomination Committee Best Practice Guideline (1/2017) - Audit Committee Forum : The Audit Committee's Role in Compliance and Ethical Culture Oversight (1/2017) 	<ul style="list-style-type: none"> - Bank of Thailand - Thai Institute of Directors Association - Thai Institute of Directors Association - Thai Institute of Directors Association - Thai Institute of Directors Association
4.	Mr. Pongtep Polanun	<ul style="list-style-type: none"> - Seminar : Cyber Resilience Leadership (2017) 	<ul style="list-style-type: none"> - Bank of Thailand



No.	Name of Director and Senior Executive	Course	Course Organizer
5.	Mr. Veravat Chutichetpong	- Seminar : Cyber Resilience Leadership (2017)	- Bank of Thailand
6.	Mr. Tamin Chirasoonton	- Seminar : Cyber Resilience Leadership (2017)	- Bank of Thailand
7.	Mr. Suvit Mapaisansin	- Seminar : Cyber Resilience Leadership (2017)	- Bank of Thailand
8.	Ms. Thitinan Wattanavekin	- Seminar : Cyber Resilience Leadership (2017)	- Bank of Thailand
9.	Mrs. Patraporn Milindasuta	- Family Business Governance (FBG 8/2017) - Director Certification Program (DCP 244/2017)	- Thai Institute of Directors Association - Thai Institute of Directors Association
10.	Mrs. Kulnan Tsanthaiwo	- Family Business Governance (FBG 9/2017)	- Thai Institute of Directors Association
11.	Mr. Chavalit Chindavanig	- Strategic Financial Leadership Program (SFLP 2017)	- Thai Listed Companies Association

Prof. Dr. Anya Khanthavit, director, has performed an in-depth self-study on COSO ERM 2017 (new version), which is the most updated and could be practically applied to the Bank's risk management practices.

Also, the Corporate Secretariat Department arranges Executive Talk sessions on the business operation of the Group for directors and executives. During 2017, there were six sessions on the following topics:

- 2017 plan and working guidelines of Operations Group
- 2017 business plan and key projects of Risk Management Group
- Second half of 2017 economic outlook
- The changing of regulatory landscape
- Fraud detection and lessons learned from changing core banking system
- Goldilocks or Icarus in 2018

The Board of Directors is periodically made aware of the development plan for directors and

executives. Over the past year, 2017 - 2018 training programs relevant to the development of directors and executives of the Bank and the Group were brought for acknowledgment during the Board of Directors' meeting no. 7/2560 held on October 12, 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.13/2552 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 about 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 the director, the Corporate Secretariat Department is responsible for preparing for any new director a set of documents consisting of the annual report, mission, vision, core values, business performance, Articles of Association, Memorandum of Association, director handbook and relevant regulatory notifications.

In 2017, the 2017 AGM resolved to elect Prof. Dr. Anya Khanthavit as the Bank's director. Therefore, the Corporate Secretariat Department prepared and provided information necessary for the performance of duties of the new director.

5.12 Terms of Directorship

The Bank stipulated in Article 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.



The Bank does not define a maximum number of terms of service for directors to prevent losing opportunity to appoint directors who are knowledgeable, competent and experienced in the Bank and companies in the Group, which is the indispensable success factor for corporate governance.

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 Executive 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.

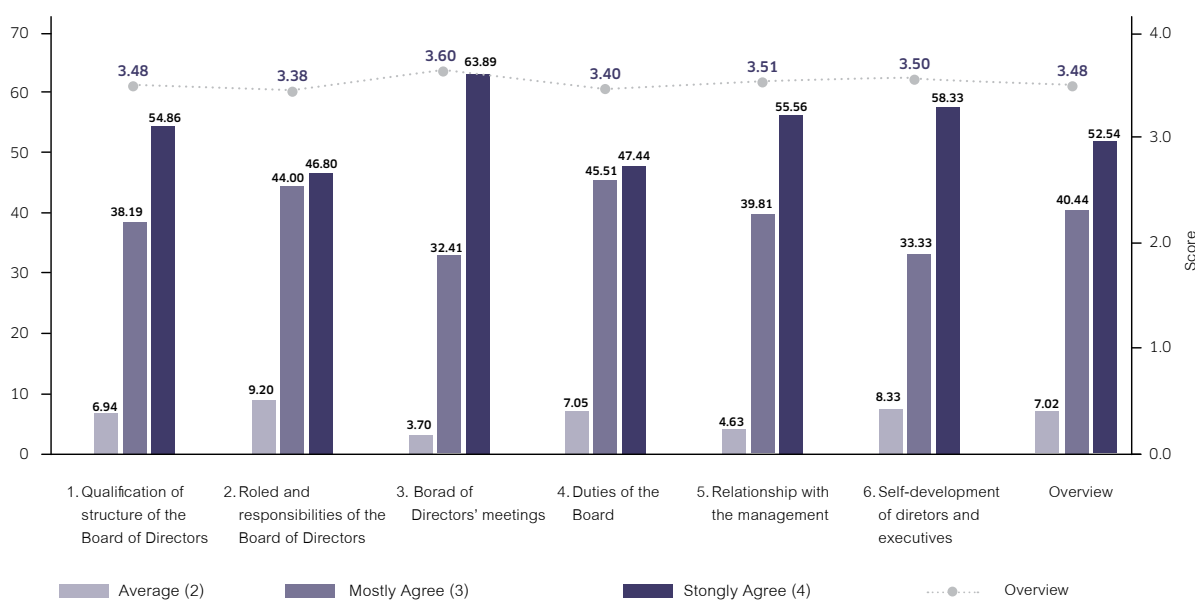
The Bank's succession plan consists of procedures which (1) survey and identify positions; (2) assess and approve a list of successors; (3) plan for successor development and (4) follow up on the successor development. Such a succession plan has been regularly reported to the Board of Directors for acknowledgement.

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 2017 annual assessment of the Board of Directors as a whole is a favorable result with an average score of 3.48.

The table below shows the result of the Board of Directors' self-assessment as a whole for the year 2017.

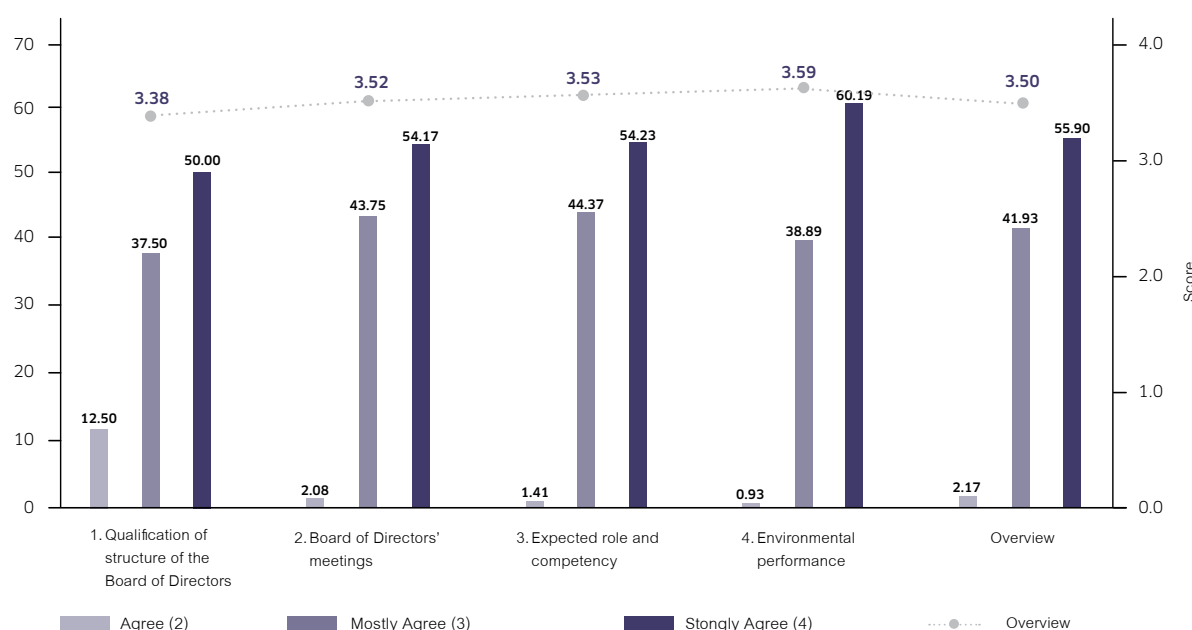


5.15 Board of Directors' Self-assessment as an Individual

In 2017, 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 2017 annual assessment of the Board of Directors as an individual is a favorable result with an average score of 3.50.

The table below shows the result of the Board of Directors' self-assessment as an individual for the year 2017.



5.16 Sub-committees' Self-assessment

In 2017, 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 4.37 and 4.30 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 2.47.

The Audit Committee performed its self-assessment by using the assessment form published by the Audit Committee's manual of the SEC. The assessment form consisted of two 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 and Part 2: the performance of the committee during the year. The assessment form of the Audit Committee had ninety-eight 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 (96%) and all of the committee members (100%) viewed that they had performed their tasks according to the scope of work, authorities and responsibilities prescribed in its charter in the previous year.

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 3.42.

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 a mutual understanding on expectations of the Board of Directors.

Evaluation Methodology

Executive performance evaluation consists of three parts:

1. Bank's performance appraisal, which shall be evaluated by all directors.
2. CEO and President's performance evaluation, which is a 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 to elect directors.

The Bank does not use cumulative voting to elect 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 four independent directors representing 33%. Meanwhile, the Chairman of the Board of Directors is a non-executive director.

3. Limit on the number of years for independent directors to be in office.

The Bank's independent directors are qualified experts and have an 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 highest-level executive of PHATRA nominated 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 the 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 Bank's Audit Committee to ensure appropriate and efficient internal control system of the Bank and companies in the Group. The Bank's Office of Internal Audit oversees the internal audit system, monitors the performance of the internal audit of the Bank and the Group's 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 companies in the capital market business through the Group's internal audit units to operate under sufficient and appropriate internal control system and directly report 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 the efficiency of 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, the Bank of Thailand, OIC and SEC such as Corporate Governance Principles, the Group's Guidelines for Business Conduct, the Bank's and the Group's Risk Management Policy, Capital Management Policy and relevant plans, Credit, Credit-like Transactions and Contingent Liabilities Review Policy, Securities Investment and Trading Book Position Management Policy, Master Product Program for Derivatives, Delegation of Authority Policy for Commercial Lending and Counterparty Risk Limit Setting, Delegation of Authority Policy for Retail Lending - Product Program, Insourcing Service Providing Policy for Financial Business and Official Agencies, Guidelines for Securities Trading of Directors, Executives, Employees and Persons who can access undisclosed information that is material to change in securities price, 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 every time 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 statements have 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 2017, 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 13.01 million.

Non-audit Fee

The Bank and its subsidiaries paid the non-audit fee for other services including the services for electronic fund transfer audit and corporate income tax review to PricewaterhouseCoopers ABAS Ltd. in the previous accounting period, totaling Baht 1.10 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 Office of Compliance 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 and 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 the Process Improvement and IT Sub-committee 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 Office of Compliance, 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 2017, 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.1/2555 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 thirty 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 Preedanan

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

- PwC Forensics Seminar on Increase Business Efficiency and Reduce Costs with GRC organized by PricewaterhouseCoopers ABAS Ltd.
- PwC Forensics Seminar on Cybercrime organized by PricewaterhouseCoopers ABAS Ltd.
- Global and Thailand Economic Outlook and How Disruptive Innovations Affect Your Competitive Landscape organized by Deloitte Touche Tohmatsu Jaiyos Advisory Co., Ltd.
- Chief Audit Executive (CAE) Forum "Behavior and Culture (B&C)" organized by Bank and Financial Institution Internal Auditors Club
- Enterprise Risk Management Workshop organized by PricewaterhouseCoopers ABAS Ltd.
- 2016 Cyber Security organized by PricewaterhouseCoopers ABAS 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 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.1/2557 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 twenty 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 the Thai Bankers' Association together with the 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:

Name and Position

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 2017 organized by the Thai Bankers' Association
- ASCO Compliance Training Program in 2017 organized by the Association of Thai Securities Companies
- Supervision of Insurance Business No.1/2017 organized by Chula Unisearch, Chulalongkorn University
- Compliance Refresher Course in 2015 organized by the Association of Investment Management Companies (AIMC)
- 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, Office of Compliance, Kiattakin Bank Public Company Limited
2011-2014	Head of Operations 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

Training Programs in 2017

- Financial Advisor' Code of Conduct and Working Procedures under Code of Conduct (Amended) organized by Investment Banking Club, the Association of Thai Securities Companies
- Guideline for the Registration of Secured Transaction Contract of Department of Business Development organized by Department of Business Development, Ministry of Commerce
- Review of Guidelines for the reporting entity to be in compliance with Anti-Money Laundering Laws organized by the Anti-Money Laundering Office (AMLO)
- The focus group: The industry utilizes information technology to enhance regulatory processes (RegTech) organized by the SEC
- The Standardization of AML/CFT organized by the AMLO
- The Annual Seminar: Future Banking Evolution or Revolution organized by the Human Development Club, the Thai Bankers' Association
- The Preparation for the Financial Sector Assessment Program (FSAP) organized by the SEC
- Risk and Compliance organized by Wells Fargo Bank and the Thai Bankers' Association
- The Market Conduct Guideline for Commercial Bank organized by the Compliance Club, the Thai Bankers' Association

Training Programs in 2016

- 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 the 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, Thammasat 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

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
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 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.



Related Party Transactions

In 2016 and 2017, the Bank 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
			2016	2017	
Phatra Capital Public Company Limited/ PHATRA	99.98% owned by the Bank	- Loans - Deposit - Other assets - Other liabilities - Interest income - Dividend income - Other income - Other expense	1,090 6 10 83 73 1,020 10 115	1,870 3 15 107 77 420 15 153	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%	- Loans - Deposit - Other assets - Other liabilities - Interest income - Other income - Interest expense - Other expense	3,500 11 13 37 14 12 3 38	3,050 22 21 64 40 (10) 7 36	The Bank calculated interest at the normal rate similar to regular clients.
KKTRADE Securities Company Limited/ KKTRADE	On April 27, 2016, PHATRA executed an agreement for the sales of all shares in KKTRADE with Yuanta Securities Asia Financial Services Limited. As a result, KKTRADE is not under the control of the Bank anymore.	- Interest income - Other income - Interest expense	1 4 10	- - -	

Name	Relationship	Description of Transaction	Transaction Amount (Baht Million)		Reasons and Necessities
			2016	2017	
Phatra Asset Management Company Limited/ PASSET	Indirectly holding via PHATRA of 99.97%	- Deposit - Other income Other assets	- 4 -	9 8 1	The Bank calculated interest at the normal rate similar to regular clients.
Erawan Law Office Company Limited	99.96% owned by the Bank <i>(Registered for liquidation on 30 June 2016 and under liquidation process)</i>	- Deposit - Dividend income	6 53	6 -	The Bank calculated interest at the normal rate similar to regular clients.
The Asia Recovery 1 Fund	99.95% owned by the Bank	- Dividend income and profit sharing	16	-	
The Asia Recovery 2 Fund	99.59% owned by the Bank	- Other income	1	1	
The Asia Recovery 3 Fund	99.97% owned by the Bank	- Dividend income and profit sharing - Other income	63 2	12 2	
Thai Restructuring Fund	98.91% owned by the Bank	- Dividend income and profit sharing - Other income	252 11	1 2	
Asia Recovery Property Fund 3	<i>Liquidated in 2016</i>	- Dividend income and profit sharing - Other income	4 (17)	- -	Gain (loss) on redemption
Bangkok Capital Fund	95.72% owned by the Bank	- Deposit - Dividend income and profit sharing - Other income	52 553 30	59 243 2	The Bank calculated interest at the normal rate similar to regular clients.
Gamma Capital Fund	94.03% owned by the Bank	- Deposit - Dividend income and profit sharing - Other income	197 573 27	229 276 4	The Bank calculated interest at the normal rate similar to regular clients.
CMIC Development Company Limited/ CMIC	80.58% owned by the Bank	- Loans - Deposit - Other assets - Other liabilities - Interest income - Rental and service expenses	975 25 47 7 49 160	960 103 50 7 49 174	The Bank calculated interest at the normal rate similar to regular clients.



Name	Relationship	Description of Transaction	Transaction Amount (Baht Million)		Reasons and Necessities
			2016	2017	
Phatra Asset Management (Cayman) Limited	Indirectly holding via PHATRA of 99.98%	-	-	-	
Phatra Equity Market Neutral Asia Pacific Fund	Indirectly holding control via PTSEC of 99.95%	-	-	-	

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
			2016	2017	
Business entities in which the directors, key executives and related persons have significant influence	Business entities are related to the directors and executives.	- Deposit	76	36	The Bank calculated interest at the normal rate similar to regular clients.
		- Interest expense	27	30	
		- Borrowings	600	600	
		- Other assets	-	1	
		- Other expenses	68	67	
		- Other liabilities	7	6	

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
			2016	2017	
Directors/ key executives/ related persons	Directors/ key executives/ related persons	- Deposit	501	428	The Bank calculated interest at the normal rate similar to regular clients.
		- Loan	1	-	
		- Borrowings	3	48	
		- Interest expense	7	8	PTSEC and PASSET provide services and charge at the same commission rate as other regular clients.
		- Brokerage income	12	13	

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.



Report of the Board of Directors' Responsibility for Financial Statements

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 these following duties: assuring the accuracy and sufficiency of the Bank's financial reports, overseeing and cross-examining the Bank's internal control system as well as its internal audit, and reviewing all disclosures of the Bank's related transactions or conflict of interest for the most accuracy and completeness. The opinion of the Audit Committee related to these matters is merely stated in the Report of the Audit Committee section in the annual report and the annual registration 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, 2017.

Mr. Supol Wattanavekin
Chairman

Mr. Aphinant Klewpatinond
Chief Executive Officer and President

Report of the Audit Committee

The Audit Committee of Kiatnakin Bank Public Company Limited (the “Committee”) comprises three independent 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, 2017 – April 24, 2017: consists of Mrs. Dayana Bunnag as a chairperson, associated with Mr. Chet Pattrakornkul and Assoc. Prof. Manop Bongsadadt as members.
- May 1, 2017 – December 31, 2017: consists of Mrs. Dayana Bunnag as a chairperson, associated with Mr. Chet Pattrakornkul and Mr. Veravat Chutichetpong as members.

In 2017 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 and external auditor, the Committee reviewed the internal control system, including information technology security and control to assess the efficiency and sufficiency of both systems. Moreover, in 2017, 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 the 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 capital markets businesses. As a result, the Committee considered and re-nominated PricewaterhouseCoopers ABAS Ltd. as the auditors of the Bank for the year 2018. 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 to ensure 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 the 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 the self-assessment carried out in 2017, 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 the 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 16, 2018
On behalf of the Audit Committee

Mrs. Dayana Bunnag
Chairperson 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, 2017, the Nomination and Remuneration Committee consists of three directors as follows:

- | | |
|--|--------------------------------|
| 1. Mr. Veravat Chutichetpong ^{/1} | Chairman/ Independent Director |
| 2. Mr. Chet Pattrakornkul | Member/ Independent Director |
| 3. Mr. Suvit Mapaisansin | Member/ Non-executive Director |

^{/1} Appointed as Chairman of Nomination and Remuneration Committee replacing Assoc. Prof. Manop Bongsadadt, who retired by rotation, effective from May 1, 2017

In 2017, 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 or equivalent 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 the scope of duties and responsibilities, relevant risks, long- and short-term performance of the Bank and companies in the Group 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 2017 Annual Report.

Mr. Veravat Chutichetpong
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”) has the role to oversee 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 knowledgeable and experienced directors; Mr. Chet Pattrakornkul (an independent director as the Chairman of the Committee), Mr. Tarnin Chirasooton (a non-executive director) and Mrs. Patraporn Milindasuta (an executive director and the Chief Governance Officer).

In 2017, the Committee held five meetings and undertook the following important actions:

- Reviewed and revised the Committee’s charter, policies and action plan prior to proposing to the Bank’s Board of Directors for approval as follows:
 - Endorsed the review and the revision of the Committee’s charter to be in the alignment with the duties and responsibilities defined in the Bank of Thailand’s handbook for directors of financial institutions and on par with the Compliance and Governance Committees of other commercial banks.
 - Endorsed the review and the revision of the Corporate Governance Principles of the Bank to ensure the completeness, clarity and to be in line with the Bank’s current business practice, the good corporate governance guidelines and the 2017 CG Code released by the SEC prior to proposing to the Bank’s Board of Directors for approval.
 - Reviewed and revised the Guideline for Business Conduct of the Group to be in line with the Banking Industry Code of Conduct and the Securities and Exchange Act as amended to be applied to the Group prior to proposing to the Bank’s Board of Directors for approval.
 - Revised the regulatory monitoring plan and the audit plan initiated by the collaboration program between the Office of Compliance and the Office of Internal Audit to cover the Bank of Thailand’s regulations on clients’ information, information provided to clients and protection for financial service users prior to proposing to the Bank’s Board of Directors for approval.
- Approved the action plans of the Office of Compliance for year 2017.
- Acknowledged and monitored the implementation progress of the corrective actions and suggestions required by the Bank of Thailand’s examiners and Regulatory Monitoring Department of the Bank.
- 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. In case any significant issue, which might cause a compliance risk, was found, the Committee requested the management or relevant unit to urgently address such issue.
- Acknowledged the anti-corruption implementation progress and self evaluation to be part of Thailand’s Private Sector Collective Action Coalition Against Corruption (CAC).
- Acknowledged the Banking Industry Code of Conduct Self Evaluation and compared with the Guideline for Business Conduct of the Group and other policies.
- Considered and expressed opinions on the compliance reports for year 2016 prior to submission to relevant governing authorities.
- Assessed the performance of the Committee to review the annual performance.



In 2017, the Bank was bestowed the following awards which reflected the Bank's management based on business conduct in accordance with good corporate governance:

- One of 344 listed companies was ranked "4 TIA" within 90-99 score range from the quality assessment of its Annual General Meeting of Shareholders in 2017 by the Thai Investors Association, the SEC and Thai Listed Company Association.
- Rated "Excellent" CG scoring from the Corporate Governance Report of Thai Listed Companies in 2017 and received five Logos from the Thai Institute of Directors.
- One of 65 listed companies selected by the SET to receive Thailand Sustainability Investment 2017 for three consecutive years due to striving to the development of good corporate governance, responsibilities for environment and society, and business management under corporate governance (ESG) in order to uphold the outstanding organization's sustainable growth and build trust for all stakeholders.
- One of the 100 listed companies selected by THAIPAT's ESG Rating Unit to be on the list of ESG100 in the year 2017 for three consecutive years due to outstanding sustainability performance of ESG aspects.
- Recertified the membership of Thailand's CAC.

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, Prof. Dr. Anya Khanthavit, Mr. Aphinant Klewpatinond, Mr. Chavalit Chindavanig, Mr. Krittiya Veeraburus, Mrs. Patraporn Milindasuta, Mr. Pansalit Trakarnkitvichit, and Mr. Norachet Sangruji.

In 2017, 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 2017, 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 the 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 eight members, namely 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 2017, 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 including key activities, in summary:

1. Determined short and long-term business directions and strategic goals of the Group for both financial and non-financial aspects by analyzing ecosystem and factors, and endorsed the Group's vision, mission and corporate value of 2017 prior to proposing to the Board of Directors for approval.
2. Monitored the business operation of the Bank and the companies in the Group in order to revise the Group's business plan and budget at mid-year 2017 and endorsed the Group's business plan and annual budget for the years 2018-2020 by emphasizing on adequate and efficient allocation of key resources before proposing to the Board of Directors for approval. Acknowledged important management reports in accordance with the business plan, such as the risk appetite report, reserve report for possible impaired loans, current loans, inactive NLPs exceeding seven years and the progress on new core banking system project, etc.
3. Approved and endorsed new policies, guidelines and working rules, including improved those currently being used to promote the transparent and efficient business operation and in compliance with the changing regulations. For instance, IT policy, Delegation of Authority Policy for Commercial Lending and Counterparty Risk Limit Setting, Delegation of Authority Policy for Retail Lending-Product Program, External Auditor Appointment Policy for Non-audit Related Services Engagements, Insourcing Service Providing Policy for Financial Business and Official Agencies, Guidelines for Securities Trading of Directors, Executives, Employees and Persons who can access undisclosed information, Master Product Program for Derivatives, etc.
4. Approve the unreviewed/ unaudited financial statements in order to disclose to the SET, relevant supervisory agencies and public, consider the reviewed/ audited financial statements before proposing to the Board of Directors for approval, and approved debt write-off in accordance with the authority of the Executive Committee.
5. Approved the issuance and offering of subordinated debentures that can be counted as Tier 2 capital and acknowledged the report of the issuance and offering of subordinated debentures in accordance with the resolution of the 2016 Annual General Meeting of Shareholders.
6. Approved, reviewed and changed the credit line and the credit covenant for the Bank's counterparties in accordance with the authority of the Executive Committee, and endorsed the credit line and the credit covenant of the Bank's counterparties prior to proposing to the Board of Directors for approval. Monitored the approval, review and revision of the credit line and the credit covenant for the Bank's counterparties executed by the Main Credit and Foreclosed Property Committee.
7. Endorsed the revision of the Group's management guideline of 2017 to ensure it is in compliance with the current Group's organization structure and enable the Group to have better practice in corporate management and policy governance prior to proposing to the Board of Directors for approval.

8. Considered the allocation of profit and dividend payment for the year 2016 prior to proposing to the Board of Directors for consideration and the 2017 Annual General Meeting of Shareholders for approval, and considered the revision of the Bank's Dividend Payment Policy and the allocation of profit and interim dividend payment from the operating period during January 1 - June 30, 2017 prior to proposing to the Board of Directors for approval.
9. Endorsed the review and the revision of the Capital Management Plan and Policy, the Internal Capital Adequacy Assessment Process (ICAAP Report) and the risk appetite for the year 2017 to ensure the capital is appropriate for the current business operation while risk management covers all key risk factors prior to proposing to the Board of Directors for approval, and approved the review and the revision of the ICAAP Procedure.
10. Endorsed the Group's organizational structure change by adding CMIC Development Company Limited to be a subsidiary company in order to solve the asset ownership issue and determined the effective date for CMIC Development Company Limited to be a subsidiary company prior to proposing to the Board of Directors for approval
11. 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.
12. Reviewed and revised roles, duties and responsibilities of the Executive Committee prior to proposing to the Board of Directors for approval, approved the revision of roles, duties and responsibilities including appointed committee members and advisors for sub-committees under the supervision to ensure the appropriateness, and acknowledged the performance report of sub-committees under the supervision.
13. Endorsed the crisis management plan, the recovery time objective and the recovery point objective prior to proposing to the Board of Directors for approval.



Mr. Banyong Pongpanich
Chairman of the Executive Committee



Management Discussion and Analysis

Management Discussion and Analysis (MD&A) for the year ended December 31, 2017, comparing operating performance and financial position with those of the year ended December 31, 2016, is as follows:

Overall Economy and Financial and Capital Market Environment

The Thai economy in 2017 showed clear signs of recovery especially in 4Q2017 as evident by the more broad-based recovery from the external sectors to the domestic sectors. The export sector registered a growth of 9.9% for the year 2017, compared to a low growth of only 0.5% last year, which was in line with the recovery of overall global demand. Tourism also showed continuous growth with the number of foreign visitor arrivals for the year 2017 totaling 35.4 million, an increase of 8.8% YoY. For domestic sectors, consumption and investment started to recover, though not yet at a broad-based level. This was reflected from durable goods consumption which showed signs of recovery comprising the automobile sector and service sector whereas non-durable and semi-durable goods namely food and apparels still contracted, pointing to a still weak grassroots economy. Private investment also showed signs of recovery that was consistent with the recovery in the manufacturing sector after the shrinkage during 1H2017 especially for export related products such as electronics. Manufacturing for domestic demand was still at the early stage of recovery starting from November 2017.

For 2018, the Thai economic condition is expected to continue to grow, but with three headwinds that need to be taken into account. First, in the past, the recovery of the Thai economy had been driven by international demand while domestic demand remained weak. The Thai economy will be sufficiently broad-based if three factors are met: (1) rising inflation; (2) an increase in agricultural prices and

the increase in agriculturists' wages and (3) an increase in overall wage especially among the low-income segment. Second, public and private investment growth, reflected from the annual budget disbursement has been below target. Expediting public investment and also key infrastructure projects will assist in crowding-in of private investment. Third involves easing of the financial conditions. Although the policy rate and interest rates have been at a low level, liquidity in the business sector is still low especially for SME businesses. This is attributed to the slow economic recovery and credit quality issue. If the economic recovery becomes more broad-based, the quality of credit should improve which will create opportunity for loan expansion. The tightening monetary policies of major central banks – US, Europe, Japan and China – could also affect the Thai financial conditions.

For the auto industry, the year 2017 showed continuous recovery with growth higher than the Bank's in-house research forecast of 8.0%. The number of new car sales for the year 2017 totaled 871,647 units, a growth of 13.4% YoY with the growth for the commercial vehicle segment and the passenger car segment at 7.5% and 23.7% YoY respectively. The high increase in the passenger car segment was due to the low base in the previous year, the launch of new car models, new car purchases from the end of the first-car scheme, overall growth in the economy and the marketing promotions of car manufacturers. Based on the Bank's in-house research, the number of new car sales for the year 2018 is projected to grow at 6.0% YoY.

In the capital market, the average daily securities trading (SET and mai) for the year 2017 decreased 4.6% from Baht 52,526 million in 2016 to Baht 50,114 million in 2017. The SET index at the end of 2017 closed at 1,753.71 points, increasing by 13.7% from 1,542.94 points at the end of 2016.

Overall Business Operations for 2017

The Bank's loan portfolio for the year 2017 expanded at 9.3% from the end of 2016, a considerable growth compared to contractions during the past three years since 2014. The Bank's loan portfolio registered growth in all segments except for the auto hire purchase loan which still contracted during 2017. Housing loans increased by 204.8%, micro SME loans including SME Car3x loans expanded at 83.9%, personal loans increased by 35.5%, corporate lending loans expanded by 129.7%, Lombard loans expanded by 62.2% and real estate development loans registered a growth of 10.4% in 2017. Meanwhile, the auto hire purchase loans contracted by 8.1% from the end of 2016.

For asset quality, the amount of non-performing loans (NPLs) showed considerable improvement with the NPLs to total loans ratio at the end of 2017 declining to 5.0% from 5.6% at the end of 2016.

On special asset management business, the Bank sold non-performing assets (NPAs) totaling Baht 987 million and had a gain of Baht 504 million.

In the financial markets business, the Bank generated revenue of Baht 273 million. For the capital market business, the market share in securities brokerage in the SET and mai (excluding proprietary trading) of PTSEC was 4.69%, decreasing from 4.81% in 2016, ranking fifth from the total thirty-eight brokers.

The consolidated net profit (excluding non-controlling interests) for the year 2017 totaled Baht 5,737 million, an increase of 3.4% from Baht 5,547 million for the year 2016. The consolidated comprehensive income for the year 2017 totaled Baht 6,115 million, an increase of 6.2% comparing to Baht 5,756 million in 2016. The comprehensive income included revaluation of available-for-sale securities as a result of the capital market volatility.

Summary of Performance of the Bank and Subsidiaries

Percentage	4Q2016	2016	1Q2017	2Q2017	3Q2017	4Q2017	2017
Loan growth	0.6	(0.8)	1.3	2.8	0.2	4.8	9.3
NPLs/ Total loans (excluding interbank)	5.6	5.6	5.6	5.8	5.6	5.0	5.0
Total loan loss reserve/ Total NPLs (coverage ratio)	110.1	110.1	110.0	104.6	105.6	109.8	109.8
Total loan loss reserve/ Total mandatory reserve	187.8	187.8	188.1	185.1	185.4	188.6	188.6

Profit and Loss Transaction

For the Year Ended December 31 (Baht'000)	Consolidated		Change	
	2017	2016	Amount	%
Interest income	14,844,465	14,869,138	(24,673)	(0.2)
Interest expenses	4,216,027	4,436,088	(220,061)	(5.0)
Interest income, net	10,628,438	10,433,050	195,388	1.9
Fees and services income	4,448,116	4,174,296	273,820	6.6



For the Year Ended December 31 (Baht'000)	Consolidated		Change	
	2017	2016	Amount	%
Fees and services expenses	392,980	467,747	(74,767)	(16.0)
Fees and services income, net	4,055,136	3,706,549	348,587	9.4
Gain on trading and foreign exchange transactions, net	268,337	577,240	(308,903)	(53.5)
Gain (Loss) on investments, net	177,943	203,326	(25,383)	(12.5)
Dividend income and profit sharing	673,584	442,456	231,128	52.2
Other operating income	494,417	792,921	(298,504)	(37.6)
Total operating income	16,297,855	16,155,542	142,313	0.9
Employee's expenses	4,967,514	4,767,079	200,435	4.2
Directors' remuneration	67,367	31,982	35,385	110.6
Premises and equipment expenses	988,137	968,748	19,389	2.0
Taxes and duties	332,325	334,831	(2,506)	(0.7)
Loss from revaluation of foreclosed assets	276,330	25,898	250,432	967.0
Loss (Gain) from sale of foreclosed assets	209,155	(545,112)	754,267	(138.4)
Other expenses	1,737,545	1,768,984	(31,439)	(1.8)
Total other operating expenses	8,578,373	7,352,410	1,225,963	16.7
Impairment loss on loans and debt securities	763,224	2,313,121	(1,549,897)	(67.0)
Profit from operating before income tax expenses	6,956,258	6,490,011	466,247	7.2
Income tax expenses	1,190,205	878,896	311,309	35.4
Net profit	5,766,053	5,611,115	154,938	2.8
Net profit attributable to:				
Equity holders of the Bank	5,736,869	5,546,725	190,144	3.4
Non-controlling interests	29,184	64,390	(35,206)	(54.7)
Total comprehensive income attributable to:				
Equity holders of the Bank	6,114,527	5,756,452	358,075	6.2
Non-controlling interests	26,523	54,789	(28,266)	(51.6)
Earnings per share of Equity holders of the Bank				
Basic earnings per share (Baht)	6.78	6.55	0.23	3.5

Operating Results for 2017 Compared to 2016

The consolidated net profit (excluding non-controlling interests) for the year 2017 totaled Baht 5,737 million, an increase of 3.4% YoY, of which Baht 895 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 the year 2017 totaled Baht 6,115 million, increasing by 6.2% YoY. The capital market business comprehensive income was Baht 1,334 million. The comprehensive income included revaluation of available-for-sale securities as a result of the capital market volatility.

Interest Income was Baht 14,844 million, declining slightly by 0.2% YoY mainly from the decrease in interest income on investment in loans by 51.3%, due to a high base in 2016 from loan restructuring progress of large accounts. Interest income from hire purchase and financial lease declined by 1.4% due to the decelerated hire purchase portfolio. Meanwhile, other loan segments excluding auto hire purchase registered growth in all areas resulting in interest income on loans increasing by 13.7% in line with the growth in loan portfolio.

For the Year Ended	Consolidated		Change	
	December 31, 2017	December 31, 2016	Baht Million	%
Interest Income	14,844	14,869	(25)	(0.2)
Interest on loans	5,023	4,419	605	13.7
Interest on interbank and money market items	155	135	21	15.3
Hire purchase and financial lease income	8,805	8,928	(123)	(1.4)
Interest on securities	378	403	(25)	(6.3)
Interest on investment in loans	480	985	(505)	(51.3)
Others	3	0	3	n.a.

Interest Expenses totaled Baht 4,216 million, a decline of 5.0% YoY mainly from the reduction in interest expense on debt issued and borrowings by 29.4% from the decline in issuance of new debentures. Meanwhile, interest expense on deposits increased by 7.5% from the increase in deposit amount by 20.9% YoY to facilitate the growth in overall loan portfolio. The cost of fund for the year 2017 decreased to 2.3% from 2.5% YoY attributed to the Bank's continued effort on cost management.

For the Year Ended	Consolidated		Change	
	December 31, 2017	December 31, 2016	Baht Million	%
Interest Expense	4,216	4,436	(220)	(5.0)
Interest on deposits	2,270	2,111	158	7.5
Interest on interbank and money market items	118	89	29	32.0
Interest on debt issued and borrowings	1,031	1,462	(430)	(29.4)
Fees and charges on borrowings	6	3	2	69.3
FIDF and DPA fees	754	726	28	3.9
Others	38	45	(7)	(15.9)



Net Interest Income amounted to Baht 10,628 million, an increase of Baht 195 million or 1.9% YoY from Baht 10,433 million in 2016. Yield on loan for the year 2017 remained stable at 7.5% YoY from the increase in diversifications in the Bank's loan portfolio into both high yield segment (personal loans, SME Car3x and used car segment) and low yield segment (housing loans, corporate lending loans and Lombard loans). Meanwhile, cost of fund for the year 2017 dropped further YoY from 2.5% in 2016 to 2.3% resulting in improvement in loan spread from 4.9% in 2016 to 5.2% in 2017.

Ratio (%)	4Q2016	2016	1Q2017	2Q2017	3Q2017	4Q2017	2017
Yield on loan	7.9	7.5	7.6	7.6	7.7	7.4	7.5
Cost of fund	2.4	2.5	2.4	2.3	2.1	2.3	2.3
Loan spread	5.5	4.9	5.2	5.3	5.6	5.1	5.2

Net Fees and Services Income totaled Baht 4,055 million, increasing by Baht 349 million or 9.4% YoY. For the capital market business, fee from the asset management business totaled Baht 535 million, an increase of Baht 204 million or 61.7% YoY from Baht 331 million. During the year 2017, the asset under management grew by 68%. The financial advisory and underwriting fees totaled Baht 433 million, increasing significantly by 152.7% from Baht 171 million in 2016. The brokerage income totaled Baht 1,545 million, declining Baht 146 million or 8.6% YoY from the decrease in market trading volume for 2017 compared to 2016. The bancassurance fee amounted to Baht 957 million, increasing slightly by 0.5% from 2016.

Total Operating Income amounted to Baht 16,298 million, increased by 0.9% YoY. In addition to net interest income and net fees and services income, the Bank recorded gain on trading and foreign exchange transactions in the amount of Baht 268 million, declining 53.5% compared to gain of Baht 577 million in 2016. Additionally, the Bank also recorded gain on investments of Baht 178 million, also decreasing by 12.5% from Baht 203 million during 2016.

Other Operating Expenses were Baht 8,578 million, increased by 16.7% YoY. The increase was attributed mainly to the gain/ loss from the sale of foreclosed assets which for the year 2017 had a loss of Baht 209 million, comparing to gain of Baht 545 million in 2016 resulting in an increase in expense of Baht 754 million compared to last year. The loss on sale of foreclosed assets of Baht 209 million for the year 2017 comprised of loss from sale of repossessed cars totaling Baht 713 million, increasing by Baht 69 million from loss of Baht 644 million in 2016 and from gain on sale of foreclosed properties totaling Baht 504 million, a decrease of Baht 685 million compared to gain of Baht 1,189 million in 2016 from the high amount of properties sold during 2016. For the year 2017, the Bank sold foreclosed properties in the amount of Baht 987 million compared to a high base of Baht 2,633 million sold during 2016. Additionally, the Bank recorded loss from revaluation of foreclosed assets in the amount of Baht 276 million compared to loss of Baht 26 million for 2016.

When excluding loss from sale of foreclosed assets and loss from revaluation of foreclosed assets, the operating expenses for the year 2017 totaled Baht 8,093 million, increasing by 2.8% compared to the operating expenses of Baht 7,872 million for 2016 with the increase largely from personnel expenses. The cost-to-income ratio excluding loss from sale of foreclosed assets and loss from revaluations stood at 48.2% for the year 2017.

Bad Debts and Doubtful Accounts and Loss on Debt Restructuring totaled Baht 763 million, a considerable decline from Baht 2,313 million in 2016. In 2016, the Bank had set up a general reserve in the amount of Baht 1,650 million. During 2017, the overall asset quality of the Bank improved with the decline in NPLs and special mention loans also exhibiting a positive improvement. Additionally, during 2017, the Bank had made progress in resolving NPLs of the real estate development sector resulting in a decline in NPLs for this segment. Loan loss provisions (excluding general reserve) and including loss from the sale of repossessed cars stood at 0.80% of average loan for the year 2017.

Allowance for doubtful accounts and allowance for troubled debt restructuring amounted to Baht 10,576 million with outstanding Baht 4,500 million in general reserve. The total loan loss reserve to total mandatory reserve ratio increased to 188.6% in 2017 compared to 187.8% at the end of 2016. Meanwhile, the total loan loss reserve to total NPL ratio (coverage ratio) was at 109.8%, almost at same level of 110.1% at the end of 2016.

Corporate income tax totaled Baht 1,190 million which is considered a 17.1% tax rate. The basic earnings per share was Baht 6.78.

Annualized Ratio	4Q2016	2016	1Q2017	2Q2017	3Q2017	4Q2017	2017
Net Profit (Baht Million)	1,452	5,547	1,524	1,185	1,723	1,305	5,737
ROAE (%)	14.6	14.2	14.8	11.6	17.3	12.8	14.1
ROE (%)	14.9	14.6	15.1	11.3	17.3	13.0	14.2
ROAA (%)	2.5	2.4	2.6	1.9	2.7	2.1	2.3
Comprehensive Income (Baht Million)	1,255	5,756	1,563	1,416	1,796	1,340	6,115
ROAE (%)	12.6	14.7	15.2	13.9	18.0	13.2	15.0
ROE (%)	12.9	15.2	15.5	13.5	18.0	13.4	15.2
ROAA (%)	2.1	2.4	2.6	2.2	2.8	2.1	2.5



Statements of Financial Position of the Bank and Subsidiaries

Total Assets, as of December 31, 2017, totaled Baht 259,335 million, increasing by Baht 25,559 million or 10.9% from the end of 2016. The total loans net deferred revenue amounted to Baht 192,107 million, an 8.9% increase from Baht 176,354 million at the end of 2016.

Assets (Baht'000)	Consolidated		Change	
	December 31, 2017	December 31, 2016	Amount	%
Cash	1,424,564	1,167,425	257,139	22.0
Interbank and money market items, net	11,510,827	11,484,482	26,345	0.2
Derivatives assets	3,373,938	1,353,345	2,020,593	149.3
Investments in securities, net	34,048,463	28,365,336	5,683,127	20.0
Investments in receivables, net	2,170,438	2,553,786	(383,348)	(15.0)
Investments in properties, net	148,233	851,094	(702,861)	(82.6)
Loans to customers and accrued interest receivables, net				
Loans to customers	211,741,726	196,487,830	15,253,896	7.8
Accrued interest receivables	980,205	922,666	57,539	6.2
Total loans to customers and accrued interest receivables	212,721,931	197,410,496	15,311,435	7.8
<u>Less</u> Deferred revenue	(19,634,968)	(20,133,733)	498,765	(2.5)
<u>Less</u> Allowance for doubtful accounts	(10,573,666)	(10,964,711)	391,045	(3.6)
<u>Less</u> Allowance for troubled debt restructuring	(2,294)	(1,135)	(1,159)	102.1
Total loans to customers and accrued interest receivables, net	182,511,003	166,310,917	16,200,086	9.7
Properties foreclosed, net	4,094,492	3,728,384	366,108	9.8
Land, premises and equipment, net	2,744,165	2,091,799	652,366	31.2
Other intangible assets, net	795,761	733,724	62,037	8.5
Goodwill	3,066,035	3,066,035	0	0.0
Deferred tax assets	1,703,440	1,680,935	22,505	1.3
Accounts receivable from clearing house and broker - dealers	3,992,555	629,469	3,363,086	534.3
Securities and derivative business receivables	4,741,374	7,602,021	(2,860,647)	(37.6)
Other assets, net	3,009,956	2,157,627	852,329	39.5
Total Assets	259,335,244	233,776,379	25,558,865	10.9

Total Liabilities amounted to Baht 217,787 million, increasing 12.7% from the end of 2016. Deposits were Baht 132,878 million, increasing by 20.9%. Deposits comprised of 59.4% of term deposits and 40.6% of current and savings accounts (CASA), compared with CASA of 53.7 % at the end of 2016.

Meanwhile, debts and borrowings were Baht 56,658 million, increasing by 1.1% from the end of 2016. During the year 2017, the Bank issued debentures totaling Baht 67,890 million. The loan to deposits and borrowings ratio stood at 101.8% compared to 106.3% at the end of 2016.

Liabilities (Baht'000)	Consolidated		Change	
	December 31, 2017	December 31, 2016	Amount	%
Deposits	132,878,106	109,922,919	22,955,187	20.9
Current account	414,598	397,636	16,962	4.3
Saving account	53,472,240	58,626,581	(5,154,341)	(8.8)
Term deposit	78,238,356	50,094,639	28,143,717	56.2
Certificate of deposit	752,912	804,063	(51,151)	(6.4)
Interbank and money market items, net	8,289,723	8,359,651	(69,928)	(0.8)
Liabilities payable on demand	557,819	225,390	332,429	147.5
Derivatives liabilities	4,303,925	2,499,389	1,804,536	72.2
Debt issued and borrowings	56,657,584	56,054,619	602,965	1.1
Senior securities	50,657,584	49,964,619	692,966	1.4
Subordinated bond	6,000,000	6,000,000	0	0.0
Bills of Exchange	0	90,000	(90,000)	(100.0)
Provisions	632,129	567,823	64,306	11.3
Deferred tax liabilities	160,138	54,614	105,524	193.2
Accounts payable to clearing house and broker - dealers	422,323	2,885,681	(2,463,358)	(85.4)
Securities and derivative business payables	4,514,754	4,382,762	131,992	3.0
Accrued interest expenses	499,498	476,549	22,949	4.8
Other accounts payable	2,924,233	1,876,181	1,048,052	55.9
Legal Execution Department payable	575,380	575,380	0	0.0
Income tax payable and specific business tax payable	558,172	605,053	(46,881)	(7.7)
Other liabilities	4,813,228	4,773,014	40,214	0.8
Total Liabilities	217,787,012	193,259,025	24,527,987	12.7



Shareholders' Equity was Baht 41,548 million, increasing 2.5% from the end of 2016. The total issued and paid-up capital totaled Baht 8,468 million. The share premium totaled Baht 9,356 million. The unappropriated retained earnings were Baht 21,124 million.

Dividend Payment

The Bank paid the remaining dividend for the year 2016 operations at the rate of Baht 4.00 per share on May 23, 2017 and paid the interim dividend payment for the January 1 - June 30, 2017 operations at the rate of Baht 2.00 per share on September 22, 2017.

Capital Adequacy Ratio (BIS Ratio)

As of December 31, 2017, the Capital Adequacy Ratio (BIS ratio) under Basel III which included profit for the year 2016 was at 16.45% while tier-1 ratio was at 13.30%. When including the profit up to the end of 2017, the BIS ratio will increase to 17.94%, while tier-1 ratio will be 14.79%.

Business Segment Performance

The Group's business is divided into two main areas: the commercial banking business operated by the Bank and the capital market business operated by its subsidiaries which are comprised of PHATRA, PTSEC, PASSET and Phatra Equity Market Neutral Asia Pacific Fund.

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 focuses on loan expansions to the retail and SME segments, the goals will be on building efficiencies, creating standards and identifying new alternative channels to reach the targeted client segments while maintaining an effective risk management. For private banking, which is targeted on high-net-worth clients, 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 and clientels. The area of investment banking will combine the expertise of several functions within the Group to allow the Group to offer more comprehensive financial products and services to meet clients' demands.

Commercial Banking Business

The commercial banking business includes retail lending, commercial lending, corporate lending, Lombard loan, 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, 2017		December 31, 2016		Change
	Baht Million	%	Baht Million	%	(%)
Retail Lending	125,954	65.3	123,716	70.1	1.8
Auto hire purchase loan	103,926	53.9	113,049	64.1	(8.1)
Personal loan	5,745	3.0	4,240	2.4	35.5
Micro SMEs loan	5,031	2.6	2,735	1.6	83.9
Housing loan	11,252	5.8	3,691	2.1	204.8
Commercial Lending	44,283	23.0	41,337	23.4	7.1
Real estate development loan	21,276	11.0	19,279	10.9	10.4

Type of Loans	December 31, 2017		December 31, 2016		Change
	Baht Million	%	Baht Million	%	(%)
SMEs loan	23,007	11.9	22,058	12.5	4.3
Corporate Lending	15,807	8.2	6,882	3.9	129.7
Special Asset Management Loan	607	0.3	665	0.4	(8.7)
Lombard Loan	6,273	3.3	3,867	2.2	62.2
Total Loans and Account Receivables	192,924	100.0	176,466	100.0	9.3

- Retail Lending

The retail lending totaled Baht 125,954 million, increasing by 1.8% from the end of 2016. The retail loans include auto hire purchase loans, personal loans, micro SME loans which include SME Car3x loans and housing loans.

Auto Hire Purchase Loans amounted to Baht 103,926 million, declining by 8.1% from end of 2016. During the year 2017, the Bank's focus had been on the auto hire purchase loan segment which was expected to generate more profitability resulting in the overall increase in the yield for the auto hire purchase loan segment. New and used auto hire purchase business volume booked during the year 2017 totaled Baht 34,309 million, decreasing 16.9% YoY. As of the end of 2017, the portion of new cars to used cars was at 44:56 with the auto hire purchase loan portion to the Bank's total loan portfolio at 53.9%, declining from 64.1% YoY from the increase in diversifications to other loan types in the Bank's loan portfolio. The domestic new car sales for the year 2017 totaled 871,647 units, increasing by 13.4% compared to last year. The penetration rate of the Bank's new car lending to the domestic new car sales for the year 2017 was at 2.7%, declining from 3.7% YoY.

Meanwhile, during 2017, the Bank's loan portfolio in other retail loans continued to grow considerably contributed by the Bank's direct sales team. As of the end of 2017, the personal loans amounted to Baht 5,745 million, an increase of 35.5% YoY; micro SME loans including SME Car3x loans totaled Baht 5,031 million, expanding by 83.9% while housing loans expanded to Baht 11,252 million, a significant increase of 204.8% YoY.

- Commercial Lending

The commercial lending business amounted to Baht 44,283 million, an increase of 7.1% YoY. The commercial lending includes real estate development loans and SME loans with details as follows:

Real Estate Development Loans were Baht 21,276 million, expanding by 10.4% from the end of 2016. The increase was partly a result of the Bank's expansion into a larger client segment during the year 2017.

SMEs Loans were Baht 23,007 million, an increase of 4.3%. The SME loans comprise of several business sectors including apartment & hotel, logistics, commercial & industrial and construction machinery & materials.

- Corporate Lending

The corporate lending provides lending services to listed companies, large corporations or financing for investment banking transaction of the capital market business. The current outstanding loans totaled Baht 15,807 million, expanding by 129.7% YoY.



- 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 607 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 6,273 million, an increase of 62.2% YoY.

The table below shows NPL distribution by loan type.

Type of Loans	December 31, 2017			December 31, 2016		
	Baht Million	%	% of Loans	Baht Million	%	% of Loans
Retail Lending	2,985	30.9	2.4	2,602	26.1	2.1
Auto hire purchase loan	2,223	23.0	2.1	2,133	21.4	1.9
Personal loan	166	1.7	2.9	98	1.0	2.3
Micro SMEs loan	431	4.5	8.6	296	3.0	10.8
Housing loan	165	1.7	1.5	75	0.8	2.0
Commercial Lending	6,075	63.0	13.7	6,721	67.4	16.3
Real estate development loan	4,558	47.2	21.4	5,248	52.6	27.2
SMEs loan	1,518	15.7	6.6	1,473	14.8	6.7
Corporate Lending	0	0.0	0.0	0	0.0	0.0
Special Asset Management Loan	587	6.1	96.7	645	6.5	97.0
Lombard Loan	0	0.0	0.0	0	0.0	0.0
Total	9,647	100.0	5.0	9,968	100.0	5.6

The consolidated NPLs amounted to Baht 9,647 million accounting for 5.0% of the total loans, which decreased from 5.6% at the end of 2016. The NPLs decreased mainly from the real estate development sector with the NPLs for this segment reducing by Baht 637 million from 3Q2017, as a result of the Bank's progress in resolving the NPLs. As part of the resolution, during 4Q2017, assets were transferred to the Bank to partly resolve the NPLs. For the auto hire purchase loans, the amount of NPLs also continued to decline from the previous quarter.

Capital Market Business

The capital market business comprises of 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 the high-net-worth clients, other wealth management products are provided such as mutual funds and structured products. For 2017, the market share¹ of PTSEC was 4.69%, ranking fifth from the total of thirty-eight brokers. PTSEC generated brokerage revenue totaling Baht 1,262 million, comprising of equity brokerage revenue of Baht 1,157 million and derivatives brokerage revenue of Baht 105 million.

¹ Including SET and mai but excluding proprietary trading

- Investment Banking Business

The investment banking business, operated by PTSEC, provides financial advisory service as well as underwriting service. In 2017, the revenue was Baht 433 million, which can be broken down into financial advisory fee amounting Baht 337 million and underwriting fee amounting Baht 96 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 of the Equity and Derivatives Trading Department (EDT) and the Hedge Fund Department (HF). EDT focuses on equity and equity-linked securities in the capital market and derivatives market, with short-term investment of not more than 1 year by applying arbitrage investment strategy as well as issuing and offering financial structured products. HF focuses on equity and derivatives trading with less than 1 year investment horizon, applying a market-neutral strategy and advanced statistical modeling.

In 2017, DI recorded gain on investment including gain on re-measuring available-for-sale securities totaling Baht 833 million. HF, which could not make a profit during the period of the financial model, posted loss of Baht 37 million². Meanwhile, EDT had gain on investment totaling Baht 513 million³. Additionally, there were other investment incomes from treasury and liquidity management, resulting in overall investment income of Baht 1,399 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 assets under management as of December 31, 2017 was Baht 67,238 million, with a total of twenty-eight funds under management consisting of twenty-five mutual funds and three property funds. PASSET's market share in terms of mutual fund was 1.34%. In 2017, PASSET's fee income from the mutual fund business totaled Baht 327 million.

As of December 31, 2017 the asset under management of private fund was Baht 21,170 million. PASSET's fee income from the private fund business totaled Baht 213 million

² In addition to the investment revenue, HF also had foreign exchange loss and advisory fee revenue totaling Baht 28 million and hedging cost of Baht 37 million. In summary, the total HF loss after cost of hedging was Baht 102 million.

³ Income before deducting the cost of hedging; once deducting those costs, net gain was Baht 502 million.



Credit Rating

As of April 11, 2017, 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:

	October 28, 2014 **	March 31, 2015 *	November 26, 2015 **	March 15, 2016 *	April 11, 2017 *
Company Rating	A-	A-	A-	A-	A-
Issue Ratings					
KK174B: Baht 900 million senior unsecured debentures due 2017	A-	A-	A-	A-	A-
KK17NA: Baht 1,500 million senior unsecured debentures due 2017	-	-	A-	A-	A-
KK187A: Baht 240 million senior unsecured debentures due 2018	A-	A-	A-	A-	A-
KK18DA: Baht 625 million senior unsecured debentures due 2018	A-	A-	A-	A-	A-
KK18DB: Baht 10 million senior unsecured debentures due 2018	A-	A-	A-	A-	A-
KK25DA: Baht 3,000 million hybrid tier 2 capital securities due 2025	-	-	BBB	BBB	BBB
Outlook	Positive	Stable	Stable	Stable	Stable

Remarks: *CreditNews (annual credit review)

**CreditUpdate (credit review for debentures issuance all year round)

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 and separate financial position of the Group and of the Bank as at 31 December 2017, 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

The consolidated financial statements and the separate financial statements comprise:

- the consolidated and separate statements of financial position as at 31 December 2017;
- the consolidated and separate statements of profit or loss and other comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then end; and
- the notes to the consolidated and separate financial statements, which include 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

Allowance for doubtful accounts

I focused on this area because management makes significant judgements over timing, and the amount to record as an allowance for doubtful accounts and the size of loans to customers is significant for the consolidated and the separate financial statements. At 31 December 2017, the gross loans to customers balance was Baht 211,742 million and Baht 214,571 million. The balance of allowance for doubtful accounts of loans to customers was Baht 10,574 million and Baht 10,592 million, which represents 4.99% and 4.94% of loans to customers respectively. The allowance account expense on loans was recognised in the consolidated and separate statements of profit or loss and other comprehensive income for the year ended 31 December 2017 of Baht 1,677 million and Baht 1,685 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.

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, based 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.

- 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.
- 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.

I evaluated and tested the design and operating effectiveness of the controls over the allowance for doubtful accounts data and calculations.

This included testing:

- controls over calculation models for the allowance for doubtful accounts, including input data
- controls over the estimations of collateral valuation
- controls over the approval process for the annual credit review and classification of loans
- controls over the input data to calculate credit scoring and the monitoring process under a qualitative approach
- controls over the data transfer from source systems to the allowance for doubtful accounts models and model output to the general ledger
- controls over the monitoring of the properness of models and qualitative data by the risk management department
- IT controls for loan data, aging systems and collateral systems, and
- governance controls, including reviewing the minutes of meetings that form part of the approval process for the allowance for loans, the classification of loans, and assessing management's analysis and challenging the actions taken for special allowance cases or any additional qualitative factors applied.

I didn't find any exceptions which have a material impact on the financial statements from those control tests.

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 the key

Key audit matter	How my audit addressed the key audit matter
<ul style="list-style-type: none"> 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. 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. <p>I focused my audit procedures on the allowance for doubtful accounts, specifically relating to:</p> <ul style="list-style-type: none"> the key assumptions and judgements made by management related to loan classification, the percentage of allowance following the qualitative factors, collateral values, estimated expected cash inflows and the discount rate applied 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 the completeness of loan balances and accounts that are included in the allowance for doubtful accounts calculation. 	<p>judgments were appropriate. I also challenged management to provide supporting evidence for the related key assumptions and impairment indicators, and I found no material exceptions from 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 from this activity.</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>

Impairment testing of goodwill

As at 31 December 2017, 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.

I evaluated management's assessment of impairment by inquiry with management about the method used and assumptions in the valuation model.

Specific work where I challenged management and corroborated supporting evidence for appropriateness of valuation model included:

- 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



Key audit matter	How my audit addressed the key audit matter
<p>I focused on this area due to the significant value and the nature of the significant judgement and assumptions used in the 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>Under the Dividend Discount Model, the management 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 the market and the subsidiaries where management believes that the en-year period can reflect their business plan.</p> <p>The key assumptions that involve management judgement are:</p> <ul style="list-style-type: none"> - Discount rate - Growth rate - Payout ratio - Expected future revenue and net profit generated from Capital Market Segment <p>Those assumptions are from both internal and external factors. The management will revisit and consider applying the latest information that reflects the market condition and business for the calculation of the recoverable amount of goodwill.</p>	<ul style="list-style-type: none"> - 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 and also tested the input data to check that the input data is updated and appropriate - considering the current year and historical performance against the plan and the reasons for any deviation from the plan. I also discussed those deviations and uncertainties with management - 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 <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"> - I checked the calculations for mathematical accuracy and I found no exceptions. - I considered the sensitivity of the calculation by varying the assumptions, which are the discount rate and growth rate, within a reasonable range. <p>I found that management's assumptions appropriately reflected the current economic conditions in the capital market as at 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
22 February 2018

Kiatnakin Bank Public Company Limited and Subsidiaries
Statement of Financial Position
As at 31 December 2017

	Notes	Consolidated		Separate	
		2017	2016	2017	2016
		Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Assets					
Cash		1,424,564	1,167,425	1,423,405	1,167,228
Interbank and money market items, net	6	11,510,827	11,484,482	12,870,593	13,278,925
Derivatives assets	7	3,373,938	1,353,345	3,316,528	1,316,371
Investments in securities, net	8	34,048,463	28,365,336	19,691,297	15,044,934
Investments in subsidiaries, net	9	-	-	10,151,608	10,711,188
Investments in receivables, net	10	2,170,438	2,553,786	771,663	829,729
Investments in properties, net	11	148,233	851,094	-	-
Loans to customers and accrued interest receivables, net	12				
Loans to customers		211,741,726	196,487,830	214,571,476	198,552,580
Accrued interest receivables		980,205	922,666	986,717	926,724
Total loans to customers and accrued interest receivables		212,721,931	197,410,496	215,558,193	199,479,304
Less Deferred revenue		(19,634,968)	(20,133,733)	(19,634,968)	(20,133,733)
Less Allowance for doubtful accounts	14	(10,573,666)	(10,964,711)	(10,592,366)	(10,975,611)
Less Allowance for troubled debt restructuring	16	(2,294)	(1,135)	(2,294)	(1,135)
Total loans to customers and accrued interest receivables, net		182,511,003	166,310,917	185,328,565	168,368,825
Properties foreclosed, net	17	4,094,492	3,728,384	5,784,417	4,870,703
Land, premises and equipment, net	18	2,744,165	2,091,799	831,274	774,174
Other intangible assets, net	19.1	795,761	733,724	734,362	667,910
Goodwill	19.2	3,066,035	3,066,035	-	-
Deferred tax assets	20	1,703,440	1,680,935	1,697,491	1,673,658
Accounts receivable from clearing house and broker - dealers		3,992,555	629,469	-	-
Securities and derivative business receivables		4,741,374	7,602,021	-	-
Other assets, net	21	3,009,956	2,157,627	2,486,790	1,608,782
Total assets		259,335,244	233,776,379	245,087,993	220,312,427

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



Kiatnakin Bank Public Company Limited and Subsidiaries
Statement of Financial Position (Cont'd)
As at 31 December 2017

	Notes	Consolidated		Separate	
		2017	2016	2017	2016
		Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Liabilities and equity					
Liabilities					
Deposits	22	132,878,106	109,922,919	133,278,244	110,209,032
Interbank and money market items, net	23	8,289,723	8,359,651	7,950,697	8,000,191
Liabilities payable on demand		557,819	225,390	557,819	225,390
Derivatives liabilities	7	4,303,925	2,499,389	3,241,968	1,897,126
Debt issued and borrowings	24	56,657,584	56,054,619	51,923,796	52,946,967
Provisions	25	632,129	567,823	453,163	431,181
Deferred tax liabilities	20	160,138	54,614	-	-
Accounts payable to clearing house and broker - dealers		422,323	2,885,681	-	-
Securities and derivative business payables		4,514,754	4,382,762	-	-
Accrued interest expenses		499,498	476,549	498,932	476,549
Other accounts payable	26	2,924,233	1,876,181	2,774,187	1,787,697
Legal Execution Department payable	27	575,380	575,380	575,380	575,380
Income tax payable and specific business tax payable		558,172	605,053	470,152	504,285
Other liabilities	28	4,813,228	4,773,014	4,201,549	4,141,911
Total liabilities		217,787,012	193,259,025	205,925,887	181,195,709
Equity					
Share capital	29				
Authorised share capital					
846,751,109 ordinary shares of Baht 10 each		8,467,511	8,467,511	8,467,511	8,467,511
Issued and paid-up share capital					
846,751,109 ordinary 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	1,531,618	1,116,748	479,742	417,308
Retained earnings					
Appropriated					
Legal reserve	30	852,337	852,337	852,337	852,337
Others		380	380	380	380
Unappropriated		21,124,099	20,504,824	20,005,903	20,022,949
Total equity of the Bank		41,332,178	40,298,033	39,162,106	39,116,718
Non-controlling interests		216,054	219,321	-	-
Total equity		41,548,232	40,517,354	39,162,106	39,116,718
Total liabilities and equity		259,335,244	233,776,379	245,087,993	220,312,427

(Mr. Aphinant Klewpatinond)

Chief Executive Officer and President

(Mr. Suraphol Kulsiri)

Director

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

Kiatnakin Bank Public Company Limited and Subsidiaries
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2017

	Notes	Consolidated		Separate	
		2017 Thousand Baht	2016 Thousand Baht	2017 Thousand Baht	2016 Thousand Baht
Interest income	43	14,844,465	14,869,138	14,512,102	14,109,416
Interest expenses	44	4,216,027	4,436,088	4,112,583	4,347,498
Interest income, net		10,628,438	10,433,050	10,399,519	9,761,918
Fees and services income	45	4,448,116	4,174,296	1,988,594	1,998,737
Fees and services expenses	45	392,980	467,747	114,942	126,843
Fees and services income, net		4,055,136	3,706,549	1,873,652	1,871,894
Gain on trading and foreign exchange transactions, net	46	268,337	577,240	151,008	50,927
Gain (loss) on investments, net	47	177,943	203,326	(190,746)	(381,652)
Dividend income and profit sharing		673,584	442,456	1,240,316	2,754,632
Other operating income	48	494,417	792,921	377,580	634,239
Total operating income		16,297,855	16,155,542	13,851,329	14,691,958
Other operating expenses					
Employee's expenses		4,967,514	4,767,079	3,681,652	3,511,196
Directors' remuneration		67,367	31,982	61,317	31,182
Premises and equipment expenses		988,137	968,748	838,704	789,072
Taxes and duties		332,325	334,831	313,960	325,112
Loss from revaluation of foreclosed assets		276,330	25,898	286,634	41,007
Loss (gain) from sale of foreclosed assets		209,155	(545,112)	391,456	45,401
Other expenses	49	1,737,545	1,768,984	1,486,431	1,581,979
Total other operating expenses		8,578,373	7,352,410	7,060,154	6,324,949
Impairment loss on loans and debt securities	50	763,224	2,313,121	757,787	2,330,925
Profit from operating before income tax expenses		6,956,258	6,490,011	6,033,388	6,036,084
Income tax expenses	51	1,190,205	878,896	957,090	614,582
Net profit		5,766,053	5,611,115	5,076,298	5,421,502

The accompanying notes are an integral part of these 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 2017

		Consolidated		Separate	
	Notes	2017 Thousand Baht	2016 Thousand Baht	2017 Thousand Baht	2016 Thousand Baht
Other comprehensive income (expenses)					
Items that will be reclassified subsequently to profit or loss					
Gain (loss) on remeasuring investments in receivables		(128,260)	(74,019)	7,514	5,732
Gain on remeasuring available-for-sale securities		685,108	341,924	70,529	137,663
Loss on currency translation differences		(9,805)	-	-	-
Income taxes relating to items that will be subsequently reclassified to profit or loss	52	(134,863)	(66,939)	(15,609)	(28,679)
Total items that will be reclassified subsequently to profit or loss		412,180	200,966	62,434	114,716
Items that will not be reclassified subsequently to profit or loss					
Remeasurements of post-employment benefit obligations		(46,479)	313	(16,203)	-
Income taxes on items that will not be subsequently reclassified to profit or loss	52	9,296	(1,153)	3,241	-
Total items that will not be reclassified subsequently to profit or loss		(37,183)	(840)	(12,962)	-
Total other comprehensive income		374,997	200,126	49,472	114,716
Total comprehensive income		6,141,050	5,811,241	5,125,770	5,536,218
Net profit attributable to					
Equity holders of the Bank		5,736,869	5,546,725	5,076,298	5,421,502
Non-controlling interests		29,184	64,390	-	-
Total comprehensive income attributable to					
Equity holders of the Bank		6,114,527	5,756,452	5,125,770	5,536,218
Non-controlling interests		26,523	54,789	-	-
Earnings per share of Equity holders of the Bank					
Basic earnings per share (Baht)	36	6.78	6.55	6.00	6.40

(Mr. Aphinant Klewpatinond)
Chief Executive Officer and President

(Mr. Suraphol Kulsiri)
Director

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

Kiatnakin Bank Public Company Limited and Subsidiaries
Statement of Changes in Equity
For the year ended 31 December 2017

Consolidated (Thousand Baht)												
Equity attributable to the Bank's shareholders												
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The accompanying notes are an integral part of these financial statements.



1.

(Mr. Aphinant Klewpatinond)
Chief Executive Officer and President

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

Kiatnakin Bank Public Company Limited and Subsidiaries
Statement of Cash Flows
For the year ended 31 December 2017

	Consolidated		Separate	
	2017 Thousand Baht	2016 Thousand Baht	2017 Thousand Baht	2016 Thousand Baht
Cash flows from operating activities				
Profit from operating before income tax expenses	6,956,258	6,490,011	6,033,388	6,036,084
Adjustments to reconcile profit from operating before income tax expenses to cash received (paid) from operating activities				
Depreciation	683,545	335,924	214,893	187,606
Amortisation	128,855	103,846	109,804	79,792
Amortisation of premium on investments in securities	110,977	105,046	111,158	105,046
Bad debt and doubtful accounts	1,695,290	3,290,995	1,698,591	3,307,870
Loss on impairment of investments in receivables	49,704	25,814	40,966	26,743
Gain from transferring investments in receivables to loans	-	(486)	-	(486)
Unrealised loss (gain) on trading and foreign exchange transactions	(216,057)	292,282	(655,315)	(79,478)
(Gain) loss on remeasuring trading securities	201,768	(731,920)	101,720	(388,415)
Loss on impairment on general investment	990	101	1,140	101
Loss on impairment on investments in subsidiaries	-	-	225,225	415,882
Loss on diminution in value of properties foreclosed	276,331	25,899	286,634	41,007
(Gain) loss on impairment of other assets	4,962	(371)	4,962	(740)
(Gain) loss on disposal of investment in securities	(191,333)	(331,428)	(10,930)	16,724
Gain on disposal of equipment and intangible assets	(6,677)	(17,665)	(26,964)	(11,589)
Loss on disposal of investment in properties	16,313	-	-	-
Loss on write-off of equipment and intangible assets	239	5,044	102	2,188
Other income	-	(223,372)	-	(223,372)
Net interest income	(10,739,415)	(10,538,096)	(10,510,677)	(9,866,964)
Dividend income	(673,584)	(442,456)	(1,240,316)	(2,754,632)
Proceeds from interest income	14,912,521	14,977,827	14,574,558	14,227,383
Interest paid	(4,226,660)	(4,697,259)	(4,123,782)	(4,611,478)
Dividend received	675,080	441,133	288,348	221,858
Cash paid for corporate income tax	(1,278,544)	(1,334,469)	(1,031,218)	(1,056,094)
Increase in provision expenses	17,827	150,823	5,779	146,288
Increase (decrease) in specific business tax payable	4,316	(1,543)	3,794	(785)
Increase in accrued expenses	141,271	127,612	163,135	132,970
Profit from operating before changes in operating assets and liabilities	8,543,977	8,053,292	6,264,995	5,953,509
(Increase) decrease in operating assets				
Interbank and money market items	(36,590)	(1,965,229)	400,922	(4,631,767)
Investments in trading and available-for-sale securities	(1,907,879)	(6,812,691)	(2,682,301)	267,125
Investments in receivables	205,180	244,298	24,409	50,359
Investments in properties	(2,545)	-	-	-
Loans and receivables	(22,597,893)	(4,766,306)	(23,218,826)	(4,027,773)
Properties foreclosed	4,132,466	4,849,197	4,296,285	5,341,435
Securities and derivative business receivables	2,860,647	6,429,807	-	-
Accounts receivable from clearing house and broker-dealers	(3,363,086)	339,438	-	-
Other assets	(885,483)	777,744	(902,762)	595,310

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



Kiatnakin Bank Public Company Limited and Subsidiaries
Statement of Cash Flows (Cont'd)
For the year ended 31 December 2017

	Consolidated		Separate	
	2017 Thousand Baht	2016 Thousand Baht	2017 Thousand Baht	2016 Thousand Baht
Cash flows from operating activities (Cont'd)				
Increase (decrease) in operating liabilities				
Deposits	22,955,187	5,596,020	23,069,212	5,428,162
Interbank and money market items	(69,928)	(635,790)	(49,494)	(1,117,831)
Liabilities payable on demand	332,429	(163,193)	332,429	(165,303)
Short-term borrowings	(90,000)	(167,078)	(90,000)	(167,078)
Accounts payable to clearing house and broker-dealers	(2,463,358)	1,810,160	-	-
Securities and derivative business payables	131,992	(4,913,635)	-	-
Other payables	1,064,935	212,579	981,076	245,949
Other liabilities	(126,396)	(304,153)	(128,836)	(384,067)
Net cash from operating activities	8,683,655	8,584,460	8,297,109	7,388,030
Cash flows from investing activities				
Cash paid for long-term investments in securities	(8,950,923)	(1,578,939)	(5,276,214)	(733,380)
Proceeds from long-term investments in securities	5,738,381	2,176,610	3,179,593	871,032
Proceeds from reduction of the capital in subsidiaries	-	-	-	608,977
Dividend received and profit sharing from subsidiaries	-	-	420,528	2,268,163
Cash paid for investment in property	-	(47,504)	-	-
Proceeds from sales of investment in property	226	-	-	-
Cash paid for building improvement and equipment	(686,364)	(545,605)	(267,808)	(455,707)
Proceeds from sales of equipment	28,967	23,587	28,091	13,908
Purchases of intangible assets	(188,712)	(162,143)	(170,490)	(124,385)
Net cash from investing activities	(4,058,425)	(133,994)	(2,086,300)	2,448,608
Cash flows from financing activities				
Proceeds from issuance of debentures	87,963,601	103,720,782	67,960,750	91,239,934
Cash paid for redemption of debentures	(87,211,715)	(108,586,033)	(68,835,000)	(97,553,000)
Dividend paid	(5,080,382)	(3,386,978)	(5,080,382)	(3,386,978)
Dividend paid to minority interest	(28,733)	(61,918)	-	-
Decrease in share capital of minority shareholders in subsidiaries	(1,057)	(946)	-	-
Net cash from financing activities	(4,358,286)	(8,315,093)	(5,954,632)	(9,700,044)
Exchange losses on cash and cash equivalents	(9,805)	-	-	-
Net increase in cash and cash equivalents	266,944	135,373	256,177	136,594
Cash and cash equivalents as at 1 January	1,167,425	1,032,052	1,167,228	1,030,634
Cash and cash equivalents as at 31 December	1,424,564	1,167,425	1,423,405	1,167,228

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

Kiatnakin Bank Public Company Limited and Subsidiaries
Statement of Cash Flows (Cont'd)
For the year ended 31 December 2017

Supplementary information for cash flows:

Non-cash transactions

Significant non-cash transactions for the years ended 31 December 2017 and 2016 are as follows;

	Consolidated		Separate	
	2017	2016	2017	2016
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Increase (decrease) in account payables from				
land, premises and equipment purchased	(16,884)	(12,520)	5,414	(31,142)
Transfer of assets for loan settlement	4,774,905	4,005,742	4,630,838	3,896,997
Increase (decrease) in fair value reserves on				
investments in receivables	(128,260)	(74,019)	7,514	5,732
Increase (decrease) in fair value reserves on				
available-for-sale securities	685,108	341,924	70,529	137,663
Pay-in-kind properties foreclosed for reduction and distribution				
of the capital of the subsidiaries	-	-	334,355	-
Profit sharing in form of pay-in-kind	-	-	531,440	264,612
Transfer of investments in properties to land, premises				
and equipment	684,763	18,736	-	-
Transfer of work in progress to land, premises and equipment	41,585	-	22,456	-
Transfer of work in progress to other intangible assets	204,521	-	185,556	-
Reclassification of investments	1,185	-	1,185	-



(Mr. Aphinant Klewpatinond)
Chief Executive Officer and President



(Mr. Suraphol Kulsiri)
Director

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



Kiatnakin Bank Public Company Limited and Subsidiaries

Notes to the Consolidated and the Separate Financial Statements

For the year ended 31 December 2017

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 2017 and 2016, the Bank has 13 and 12 subsidiaries and funds ("subsidiaries"), respectively.

This consolidated and separate financial statements have been approved for issued by the Board of Directors on 22 February 2018.

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. Sor Nor Sor 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. All subsidiaries were incorporated in Thailand except for Phatra Asset Management (Cayman) Limited and Phatra Equity Market Neutral Asia Pacific Fund which was incorporated in Cayman. The list of subsidiaries is as below;

	Type of business	Ownership interest (%)	
		2017	2016
Phatra Capital PCL.	Holding Company	99.98	99.98
Phatra Securities PCL.	Securities	99.95 ⁽¹⁾	99.95 ⁽¹⁾
Phatra Asset Management Co., Ltd.	Fund Management	99.97 ⁽²⁾	99.97 ⁽²⁾
Erawan Law Office Co., Ltd.	Law Office	99.96 ⁽³⁾	99.96 ⁽³⁾
Asia Recovery 1 Fund	Investments	99.95	99.95
Asia Recovery 2 Fund	Investments	99.59	99.59
Asia Recovery 3 Fund	Investments	99.97	99.97
Thai Restructuring Fund	Investments	98.91	98.91
Bangkok Capital Fund	Investments	95.72	95.72
Gamma Capital Fund	Investments	94.03	94.03
CMIC Development Co., Ltd.	Real estate	80.58	80.58
Phatra Asset Management (Cayman) Limited	Fund Management	99.98 ⁽⁴⁾	99.98 ⁽⁴⁾
Phatra Equity Market Neutral Asia Pacific Fund	Investments	99.95 ⁽⁵⁾	-

⁽¹⁾ Indirectly holding via Phatra Capital PCL. of 99.97%

⁽²⁾ Indirectly holding via Phatra Capital PCL. of 99.99%.

⁽³⁾ Registered for liquidation on 30 June 2016 and under liquidation process

⁽⁴⁾ Indirectly holding via Phatra Capital PCL. of 100.00% and registered as a limited company on 25 July 2016.

⁽⁵⁾ Indirectly having control via Phatra Securities PCL.

2.3 Revised financial reporting standards, and related interpretations

2.3.1 Revised financial reporting standards and interpretations are effective on 1 January 2017 which are relevant and have a significant impact 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 financial report'; entities taking advantage of the relief must provide a cross-reference from the 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 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.

Management has already assessed that those accounting standards have no significant impact on the Group financial statements.

2.3.2 Revised financial reporting standards are effective for annual periods beginning on or after 1 January 2018 which have significant changes and are relevant to the Group. The Group has not yet adopted these revised standards.

TAS 7 (revised 2017)	Statement of cash flows
TAS 12 (revised 2017)	Income taxes

TAS 7 (revised 2017), the amendments require additional disclosure of changes in liabilities arising from financing activities. This includes changes arising from cash and non-cash.

TAS 12 (revised 2017), the amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that:

- A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period.
- An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit.
- Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type.
- Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable.

Management has already assessed that those accounting standards have no significant 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 applies the acquisition method of accounting to account for business combinations except business combination under common control. 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-measured 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 profit or loss.

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.

(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.

(3) Disposal of subsidiaries

When the Group ceases to have control it shall ceased to consolidate its subsidiaries. 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.

(4) Business combination under common control

The Group accounts for business combination under common control by measuring acquired assets and liabilities of the acquire in the proportion of interests under common control at the carrying values of the acquiree presented in the highest level of the consolidation prior to the business combination under common control at the acquisition date. The Group retrospectively adjusted the business combination under common control transactions as if the combination occurred from the beginning of period of which the financial statements in the previous period are comparatively presented in accordance with the guidance of business combination under common control as issued by the Federation of Accounting Professions.

Costs of business combination under common control are the aggregated amount of fair value of assets transferred, liabilities incurred and equity instruments issued by the acquirer at the date of which the exchange in control occurs. Other costs directly attribute to business combination under common control, such as professional fees of legal advisors and other advisors, registration fees, and costs relating to preparation of information for shareholders, are capitalised as an investment in the separate financial statements while immediately recognised as expenses in the consolidated financial statements in the period of which the business combination occurs.

The differences between costs of business combination under common control and the acquirer's interests in the carrying value of the acquiree is presented as "Surplus arising from business combination under common control" in equity and is derecognised when the investment is disposed (transfer to retained earnings).

(5) Separate financial statement

In the separate financial statements, investments in subsidiaries and associates are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

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.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflation economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows;

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position,
- Income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates, and
- All resulting exchange differences are recognised in other comprehensive income.

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

Investments other than investments in subsidiaries are classified into the following four categories: (1) trading investments; (2) held-to-maturity investments; (3) available-for-sale

investments; and (4) general investments. The classification is dependent 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.

1. Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments.
2. Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held-to-maturity.
3. 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.
4. 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 investments is calculated under the following methods:

- The fair value of government securities is based on the average bidding yields of the Thai Bond Market Association at the reporting date.
- The fair value of private's sector debt securities is based on the mark-to-market yield of the Thai Bond Market Association at the reporting date.
- The fair value of domestic and foreign marketable equity securities is based on the last bid prices and closing prices published by Stock Exchange respectively.
- The fair value of unlisted unit trusts is based on net assets value (NAV) per unit published by asset management companies at the reporting date.
- The fair value of listed unit trusts is based on the last bid prices published by the Stock Exchange of Thailand at the reporting date.

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 profit or loss.

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.

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.

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. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 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 and Broker-dealers

Receivables from Clearing House and Broker-dealers comprise of net receivable of the followings;

- (1) Net receivables from Thailand Clearing House (TCH) for settlement of equity securities trading made through the Stock Exchange of Thailand, included cash collateral pledged with TCH for equity trading,
- (2) Net receivables from TCH from derivatives trading made through TCH, included cash collateral pledged with TCH for derivatives trading,
- (3) Net receivables from foreign equity securities or derivatives trading settled overseas through foreign securities companies, included cash collateral pledged with foreign securities companies for equity or derivatives trading, and
- (4) Net receivables from local equity securities or derivatives trading settled domestically through local securities companies, included cash collateral pledged with local securities companies for equity or derivatives trading.

2.19 Securities and derivatives business receivables and allowance for doubtful accounts

Securities and derivatives business receivables comprise the net securities business receivables and derivatives business receivables, after deducting allowance for doubtful accounts and adding related accrued interest receivables.

In addition, securities business receivables comprise the net receivable balances of cash accounts, securities borrowing receivables and other receivables such as overdue cash customers' accounts and receivables which are subject to legal proceedings, are undergoing restructuring or are settling in installments.

Derivatives business receivables include other receivables which are derivatives business receivable subjected to legal proceeding, are undergoing restructuring or are being settled in installments.

Allowance for doubtful accounts is determined based on the announcement of the Office of the Securities and Exchange Commission's Notification dated 15 February 2001, regarding the accounting for sub-standard loans. The announcement requires the Company categorize its loan portfolio into 3 categories subject to different minimum levels of provisioning. The announcement also imposes policies regarding collateral valuation for the purpose of setting allowance for doubtful accounts.

In the case that the Company received money from its receivables which written off as bad debts, the Company will record such items as bad debt recoveries which are presented as other income in profit or loss.



2.20 Payables to Clearing House and Broker-dealers

Payables to Clearing House and Broker-dealers comprise net payables of the followings;

- (1) Net payables to Thailand Clearing House (TCH) for settlement of equity securities trading made through the Stock Exchange of Thailand,
- (2) Net payables to TCH from derivatives trading made through TCH,
- (3) Net payables from foreign equity securities or derivatives trading settled overseas through foreign securities companies, and
- (4) Net payables from local equity securities or derivatives trading settled domestically through local securities companies.

2.21 Securities and derivatives business payables

Securities and derivatives business payables are the obligation of the Company in respect to securities and derivatives business with outside parties, such as the net payables of cash accounts, obligation to deliver securities as a result of short sales or securities borrowing and obligation to return assets held by the Company 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 general accepted valuation model or technique such as Black-Scholes model and Monte Carlo Simulation.

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 and are included in retained earnings in the statements of changes in equity.

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 Financial assets and financial liabilities designated at fair value through profit or loss

The Group designated some financial assets or financial liabilities upon initial recognition as financial assets or liabilities as at fair value through profit or loss (fair value option) when and only the Group demonstrates that it falls within one (or more) of following three criteria;

- a) When such designation eliminates or significantly reduces a measurement or recognition inconsistency (“accounting mismatch”) that would otherwise arise,
- b) When a group of financial assets, financial liabilities or both is managed and its performance is evaluated on fair value basis, in accordance with a documented risk management or investment strategy, and
- c) When an instrument contains an embedded derivatives that meets particular conditions

Fair value changes relating to financial assets and financial liabilities designated at fair value through profit or loss are recognised in profit or loss.

2.30 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.

2.31 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.

2.32 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.

2.33 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.

2.34 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.

2.35 Fees and services income

The Bank and its subsidiaries recognise fees and services income when services have been rendered.

2.36 Recognition of expenses

The Group recognises expenses on an accrual basis.

2.37 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).



2.38 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.

2.39 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.

2.40 Change in presentation

According to Sor Thor 22/2016, announcement of The Office of the Securities and Exchange Commission in relation to the format of securities company financial statements, securities company shall change the presentation following this announcement. In addition, the Bank reclassified the presentation for some items of other account payables and other liabilities. However, the management assesses to the impact from the reclassification of comparative figures that the impact is not material. Therefore, the Group does not restate the comparative figures of the year 2016.

The effect of change in presentation to the comparative figures are as follow;

	Originally stated Thousand Baht	Effect of change in presentation Increase (Decrease) Thousand Baht
Consolidated Statement of financial position		
As at 31 December 2016		
Assets		
Accounts receivable from clearing house and broker - dealers	629,469	168,227
Securities and derivative business receivables	7,602,021	(8,947)
Other assets, net	2,157,627	(159,280)
Liabilities		
Accounts payable to clearing house and broker - dealers	2,885,681	12,007
Securities and derivative business payables	4,382,762	(4,130)
Other liabilities	1,876,181	(7,877)

	Originally stated	Effect of change in presentation Increase (Decrease)
	Thousand Baht	Thousand Baht
Consolidated Statement of Profit or Loss and Other		
Comprehensive Income		
For the year ended 31 December 2016		
Revenue		
Fees and services income	4,174,296	(401)
Expenses		
Fees and services expenses	467,747	(386)
Premises and equipment expenses	968,748	95
Other expenses	1,768,984	(110)
Separate Statement of financial position		
As at 31 December 2016		
Liabilities		
Other account payables	1,787,697	(102,320)
Other liabilities	4,141,911	102,320

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, hire-purchase receivables, loans to customers and accrued interest receivables, account receivable from clearing house and broker - dealers 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 and broker - dealers, 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, the Bank

started implementing Bureau Score which will ensure to a better risk assessment and select a customer group in accordance with the Bank's 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 of 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.

The Bank has introduced Risk Mitigation function which will responsible for Retail Collection Strategies. The customer will be graded as High, Medium and Low upon each Individual payment behavior and collection treatment will be differentiated according to their grade. In addition, the Bank implemented has done in-depth cost-benefit analysis for each collection activity, especially when comparing to debt outstanding balance to ensure each collection activities must be cost-effectiveness.

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 2017 and 2016, concentrations of credit risk relative to the loans and receivables summarised by type of industry are as follows;

	Consolidated		Separate	
	2017	2016	2017	2016
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Agriculture and mining	406,405	201,941	406,405	201,941
Manufacturing and commerce	10,197,236	10,368,324	10,197,236	10,368,324
Real estate and constructions	29,039,695	27,257,688	29,999,445	28,232,438
Public utilities and services	10,136,217	4,930,279	10,136,217	4,930,279
Housing loans	10,314,201	3,368,335	10,314,201	3,368,335
Hire-purchase loans	109,336,445	117,688,120	109,336,445	117,688,120
Finance lease loans	661,655	778,186	661,655	778,186
Others	22,014,904	11,761,224	23,884,904	12,851,224
Total loans and receivables	192,106,758	176,354,097	194,936,508	178,418,847

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), sensitivity of investments when interest rate changes in 1 basis point, Net Open Position in Foreign Currency (NOP), and Economic Value of Equity (EVE), 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 2017 and 2016, the loan information classified by fixed and floating rates is summarised as follows;

	Consolidated		Separate	
	2017	2016	2017	2016
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Loans and receivables with				
fixed interest rate	145,451,795	135,658,372	145,451,795	135,658,372
Loans and receivables with				
floating interest rate	46,654,963	40,695,725	49,484,713	42,760,475
Total loans and receivables	192,106,758	176,354,097	194,936,508	178,418,847



The Group has summarised financial assets and liabilities classified on maturity of interest re-pricing period as at 31 December 2017 and 2016 as follows;

	Consolidated						Total Thousand Baht
	2017						
	Over 0 - 3 months	Over 3 - 12 months	Over 1 - 5 years	Over 5 years	Non- performing loans	Non- interest bearing	
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	
Financial assets							
Interbank and money market items	8,788,966	326,809	-	-	-	2,407,627	11,523,402
Derivatives assets	207,782	108,205	-	-	-	3,057,951	3,373,938
Investments in securities, net	1,590,154	3,454,835	8,292,723	420,146	-	20,290,605	34,048,463
Investments in receivables, net	-	344,197	462,998	-	1,373,243	-	2,170,438
Loans	54,836,068	31,509,262	89,934,904	4,126,718	10,835,902	863,904	192,106,758
Account receivables from clearing house and broker - dealers	-	-	-	-	-	3,992,555	3,992,555
Securities and derivative business receivables	-	-	-	-	-	4,741,374	4,741,374
Financial liabilities							
Deposits	69,261,925	39,791,083	23,166,739	150,773	-	507,586	132,878,106
Interbank and money market items	5,548,544	2,037,592	297,934	281,498	-	124,155	8,289,723
Liabilities payables on demand	-	-	-	-	-	557,819	557,819
Derivatives liabilities	398,449	401,847	-	-	-	3,503,629	4,303,925
Debt issued and borrowings	19,178,000	30,419,488	1,060,096	6,000,000	-	-	56,657,584
Payable to clearing house house and broker - dealers	-	-	-	-	-	422,323	422,323
Securities and derivative business payables	-	-	-	-	-	4,514,754	4,514,754

	Consolidated						
	2016						
	0 - 3 months	Over 3 - 12 months	Over 1 - 5 years	Over 5 years	Non- performing loans	Non- interest bearing	Total
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Financial assets							
Interbank and money market items	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 house and broker - dealers	-	-	-	-	-	629,469	629,469
Securities and derivative business receivables	-	-	-	-	-	7,602,021	7,602,021
Financial liabilities							
Deposits	70,411,174	22,333,432	15,205,031	1,512,941	-	460,341	109,922,919
Interbank and money market items	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 house and broker - dealers	-	-	-	-	-	2,885,681	2,885,681
Securities and derivative business payables	-	-	-	-	-	4,382,762	4,382,762



	Separate						
	2017						
	Over	Over	Over	Non-	Non-		
0 - 3 months	3 - 12	1 - 5 years	5 years	performing	interest	Total	
Thousand	months	Thousand	Thousand	loans	bearing	Thousand	
Baht	Baht	Baht	Baht	Thousand	Thousand	Baht	
Financial assets							
Interbank and money market items	10,690,214	326,809	-	-	1,898,310	12,915,333	
Derivatives assets	207,782	108,205	-	-	3,000,541	3,316,528	
Investments in securities, net	1,590,154	3,240,322	8,292,723	420,146	-	19,691,297	
Investments in receivables, net	-	308,665	462,998	-	-	771,663	
Loans	54,836,068	34,339,012	89,934,904	4,126,718	10,835,902	194,936,508	
Financial liabilities							
Deposits	69,662,063	39,791,083	23,166,739	150,773	-	133,278,244	
Interbank and money market items	6,579,518	667,592	297,934	281,498	-	7,950,697	
Liabilities payables on demand	-	-	-	-	557,819	557,819	
Derivatives liabilities	398,449	401,847	-	-	2,441,672	3,241,968	
Debt issued and borrowings	19,178,000	25,685,700	1,060,096	6,000,000	-	51,923,796	
Separate							
2016							
	Over	Over	Over	Non-	Non-		
0 - 3 months	3 - 12	1 - 5 years	5 years	performing	interest	Total	
Thousand	months	Thousand	Thousand	loans	bearing	Thousand	
Baht	Baht	Baht	Baht	Thousand	Thousand	Baht	
Financial assets							
Interbank and money market items	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	-	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	178,418,847	
Financial liabilities							
Deposits	70,697,287	22,333,432	15,205,031	1,512,941	-	110,209,032	
Interbank and money market items	7,136,142	269,784	88,399	407,014	-	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	

The average balances of significant performing financial assets and financial liabilities, including the average interest are summarised as follows;

	Consolidated		
	2017		
	Average outstanding balances Thousand Baht	Interest Thousand Baht	Average rate %
Significant performing financial assets			
Interbank and money market items, net	11,797,153	155,225	1.32
Investments in securities	30,137,335	377,951	1.25
Investments in receivables	2,141,650	479,900	22.41
Loans	182,584,988	13,828,346	7.57
	<u>226,661,126</u>	<u>14,841,422</u>	<u>6.55</u>
Significant financial liabilities			
Deposits	128,874,958	2,269,695	1.76
Interbank and money market items, net	10,194,184	117,620	1.15
Debt issued and borrowings	44,540,602	1,031,383	2.32
	<u>183,609,744</u>	<u>3,418,698</u>	<u>1.86</u>
	Consolidated		
	2016		
	Average outstanding balances Thousand Baht	Interest Thousand Baht	Average rate %
Significant performing financial assets			
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
	<u>211,601,317</u>	<u>14,869,138</u>	<u>7.03</u>
Significant financial liabilities			
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
	<u>170,699,211</u>	<u>3,662,162</u>	<u>2.15</u>



	Separate		
	2017		
	Average outstanding balances	Interest Thousand Baht	Average rate %
	Thousand Baht		
Significant performing financial assets			
Interbank and money market items, net	11,703,087	161,375	1.38
Investments in securities	14,837,090	319,925	2.16
Investments in receivables	1,176,823	73,409	6.24
Loans	184,947,655	13,954,258	7.54
	<u>212,664,655</u>	<u>14,508,967</u>	<u>6.82</u>
Significant financial liabilities			
Deposits	129,271,502	2,271,167	1.76
Interbank and money market items, net	9,901,464	108,813	1.10
Debt issued and borrowings	40,259,036	965,550	2.40
	<u>179,432,002</u>	<u>3,345,530</u>	<u>1.86</u>

	Separate		
	2016		
	Average outstanding balances	Interest Thousand Baht	Average rate %
	Thousand Baht		
Significant performing financial assets			
Interbank and money market items, net	7,284,891	108,499	1.49
Investments in securities	14,111,013	337,147	2.39
Investments in receivables	1,242,812	206,274	16.60
Loans	177,938,001	13,457,496	7.56
	<u>200,576,717</u>	<u>14,109,416</u>	<u>7.03</u>
Significant financial liabilities			
Deposits	105,570,242	2,111,747	2.00
Interbank and money market items, net	7,767,261	94,431	1.22
Debt issued and borrowings	55,513,452	1,408,833	2.54
	<u>168,850,955</u>	<u>3,615,011</u>	<u>2.14</u>

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 2017 and 2016 are summarised as follows;



	Consolidated						
	2017						
	Hong Kong		Yen	Vietnamese			Total
	US Dollar Thousand Baht	Dollar Thousand Baht		Yuan Thousand Baht	Dong Thousand Baht	Others Thousand Baht	
Financial assets							
Interbank and money market							
items, net	892,429	267	508	9,942	-	1,307	904,453
Investments in securities, net	-	-	-	-	1,256,180	1,053,520	2,309,700
Loans to customers and							
accrued interest receivables	1,312,437	-	-	-	-	-	1,312,437
Account receivables from							
clearing house and							
broker - dealers	505,436	8,460	-	-	18,521	-	532,417
Securities and derivative							
business receivables	3,365	-	-	-	-	-	3,365
Total financial assets	<u>2,713,667</u>	<u>8,727</u>	<u>508</u>	<u>9,942</u>	<u>1,274,701</u>	<u>1,054,827</u>	<u>5,062,372</u>
Financial liabilities							
Deposits	-	-	-	-	-	-	-
Interbank and money							
market items, net	-	-	-	-	-	-	-
Debt issued and borrowings	-	-	-	-	-	-	-
Account payable to clearing							
house and broker - dealers	3,365	-	-	-	-	-	3,365
Securities and derivative							
business payables	-	-	-	-	-	-	-
Total financial liabilities	<u>3,365</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,365</u>
Foreign currency position of							
Items recognised on the							
statements of financial							
position - net	<u>2,710,302</u>	<u>8,727</u>	<u>508</u>	<u>9,942</u>	<u>1,274,701</u>	<u>1,054,827</u>	<u>5,059,007</u>
Items not recognised							
on the statements of							
financial position - net							
(Forward exchange contracts							
and cross currency swaps)	<u>(2,521,749)</u>	<u>4,193</u>	<u>409</u>	<u>(2,045)</u>	<u>-</u>	<u>8,946</u>	<u>(2,510,246)</u>

	Consolidated						
	2016						
	Hong Kong			Vietnamese			
	US Dollar	Dollar	Yen	Yuan	Dong	Others	Total
	Thousand	Thousand	Thousand	Thousand	Thousand	Thousand	Thousand
	Baht	Baht	Baht	Baht	Baht	Baht	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
Account receivables from							
clearing house and							
broker - dealers	-	-	-	-	-	-	-
Securities and derivative							
business receivables	378	-	-	-	-	-	378
Total financial assets	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	-	-	-	-	-	-	-
Account payable to clearing							
house and broker - dealers	378	-	-	-	1,755	3,223	5,356
Securities and derivative							
business payables	-	-	-	-	-	-	-
Total financial liabilities	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)



	Separate				
	2017				
	US Dollar	Yen	Yuan	Others	Total
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Financial assets					
Interbank and money market items, net	875,123	508	9,942	1,573	887,146
Investments in securities, net	-	-	-	-	-
Loans to customers and accrued interest					
receivables	1,312,437	-	-	-	1,312,437
Total financial assets	2,187,560	508	9,942	1,573	2,199,583
Financial liabilities					
Deposits	-	-	-	-	-
Interbank and money market items, net	-	-	-	-	-
Debt issued and borrowings	-	-	-	-	-
Total financial liabilities	-	-	-	-	-
Foreign currency position of Items recognised					
on the statements of financial position, net	2,187,560	508	9,942	1,573	2,199,583
Items not recognised on the statements of					
financial position, net					
(Forward exchange contracts					
and cross currency swaps)	(2,087,417)	409	(2,045)	13,140	(2,075,913)

	Separate				
	2016				
	US Dollar Thousand Baht	Yen Thousand Baht	Yuan Thousand Baht	Others Thousand Baht	Total Thousand Baht
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
Total financial assets	1,972,832	63	260	18,476	1,991,631
Financial liabilities					
Deposits	-	-	-	-	-
Interbank and money market items, net	-	-	-	-	-
Debt issued and borrowings	-	-	-	-	-
Total financial liabilities	-	-	-	-	-
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)



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.

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					
	2017					
	On demand	Within	Over	Over	No maturity	Total
	Thousand	1 year	1 - 5 years	5 years	Thousand	Thousand
	Baht	Thousand	Thousand	Thousand	Thousand	Thousand
	Baht	Baht	Baht	Baht	Baht	Baht
Financial assets						
Cash	-	-	-	-	1,424,564	1,424,564
Interbank and money market items	3,727,104	7,797,059	-	-	5,834	11,529,997
Derivatives assets	-	2,435,812	931,487	6,639	-	3,373,938
Investments in securities, net	-	15,746,673	7,521,060	420,146	10,360,584	34,048,463
Investments in receivables, net	-	25,532	2,144,906	-	-	2,170,438
Hire-purchase receivables	37,261	3,992,172	79,363,255	25,943,757	-	109,336,445
Finance lease receivables	11,647	124,219	525,789	-	-	661,655
Loans and receivables	1,877,822	10,821,134	40,922,491	28,487,211	-	82,108,658
Accounts receivable from clearing house						
and broker - dealers	-	3,992,555	-	-	-	3,992,555
Securities and derivative business receivables	-	4,741,374	-	-	-	4,741,374
Total financial assets	5,653,834	49,676,530	131,408,988	54,857,753	11,790,982	253,388,087
Financial liabilities						
Deposits	53,886,838	55,721,827	23,118,668	150,773	-	132,878,106
Interbank and money market items	565,411	7,144,880	297,934	281,498	-	8,289,723
Liabilities payable on demand	557,819	-	-	-	-	557,819
Derivatives liabilities	-	2,628,069	1,649,018	26,838	-	4,303,925
Debt issued and borrowings	-	49,596,297	1,061,287	6,000,000	-	56,657,584
Accounts payable to clearing house						
and broker - dealers	-	422,323	-	-	-	422,323
Securities and derivative business payables	-	4,514,754	-	-	-	4,514,754
Total financial liabilities	55,010,068	120,028,150	26,126,907	6,459,109	-	207,624,234

	Consolidated					
	2016					
		Within	Over	Over		
	On demand	1 year	1 - 5 years	5 years	No maturity	Total
	Thousand	Thousand	Thousand	Thousand	Thousand	Thousand
Baht	Baht	Baht	Baht	Baht	Baht	
Financial assets						
Cash	-	-	-	-	1,167,425	1,167,425
Interbank and money market items	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						
and broker - dealers	-	629,469	-	-	-	629,469
Securities and derivative business receivables	-	7,602,021	-	-	-	7,602,021
Total financial assets	4,915,186	41,819,189	123,703,607	51,455,467	7,620,832	229,514,281
Financial liabilities						
Deposits	59,024,217	34,180,730	15,205,031	1,512,941	-	109,922,919
Interbank and money market items	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						
and broker - dealers	-	2,885,681	-	-	-	2,885,681
Securities and derivative business payables	-	4,382,762	-	-	-	4,382,762
Total financial liabilities	59,770,385	98,619,834	18,020,237	7,919,955	-	184,330,411



	Separate					Total Thousand Baht
	2017					
	On demand	Within 1 year	Over 1 - 5 years	Over 5 years	No maturity	
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	
Financial assets						
Cash	-	-	-	-	1,423,405	1,423,405
Interbank and money market items	5,123,105	7,797,058	-	-	-	12,920,263
Derivatives assets	-	2,378,402	931,487	6,639	-	3,316,528
Investments in securities, net	-	4,830,054	7,521,060	420,146	6,920,037	19,691,297
Investments in receivables, net	-	-	771,663	-	-	771,663
Hire-purchase receivables	37,261	3,992,172	79,363,255	25,943,757	-	109,336,445
Finance lease receivables	11,647	124,219	525,789	-	-	661,655
Loans and receivables	1,877,822	13,650,884	40,922,491	28,487,211	-	84,938,408
Total financial assets	7,049,935	32,772,789	130,035,745	54,857,753	8,343,442	233,059,664
Financial liabilities						
Deposits	54,286,976	55,721,827	23,118,668	150,773	-	133,278,244
Interbank and money market items	224,527	7,146,738	297,934	281,498	-	7,950,697
Liabilities payable on demand	557,819	-	-	-	-	557,819
Derivatives liabilities	-	2,449,455	765,675	26,838	-	3,241,968
Debt issued and borrowings	-	44,862,509	1,061,287	6,000,000	-	51,923,796
Total financial liabilities	55,069,322	110,180,529	25,243,564	6,459,109	-	196,952,524

	Separate					
	2016					
	On demand	Within	Over	Over	No maturity	Total
	Thousand	1 year	1 - 5 years	5 years	Thousand	Thousand
	Baht	Thousand	Thousand	Thousand	Baht	Baht
		Baht	Baht	Baht		
Financial assets						
Cash	-	-	-	-	1,167,228	1,167,228
Interbank and money market items	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
Total financial assets	6,750,447	23,968,504	121,957,729	51,455,467	5,963,207	210,095,354
Financial liabilities						
Deposits	59,310,330	34,180,730	15,205,031	1,512,941	-	110,209,032
Interbank and money market items	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
Total financial liabilities	59,697,038	87,692,067	17,969,646	7,919,955	-	173,278,706



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 control only 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 Allowance for doubtful accounts of securities business receivables

Allowance for doubtful accounts of securities business receivables are intended to adjust the values of receivables for probable credit losses. In determining an allowance for doubtful accounts of securities business receivables, the management needs to make judgments and estimates based upon, among other things, past collection history, the value of the securities collateral, aging profile of outstanding debts and the prevailing economic conditions.

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 forming 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 in 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

The Group has a commitment and provision of post-retirement benefits 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 assumptions 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					
	2017			2016		
	On demand	Term	Total	On demand	Term	Total
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Domestic						
The Bank of Thailand and FIDF	1,107,969	430,000	1,537,969	930,880	-	930,880
Commercial Banks	1,936,684	2,005,867	3,942,551	1,416,113	3,125,818	4,541,931
Special purpose financial institutions	1,304	4,550,000	4,551,304	910	5,200,000	5,200,910
Other financial institutions	600,000	-	600,000	200,000	-	200,000
Total	3,645,957	6,985,867	10,631,824	2,547,903	8,325,818	10,873,721
<u>Add</u> Accrued interest receivables	1,665	1,997	3,662	-	1,691	1,691
<u>Less</u> Allowance for doubtful accounts	(6,000)	(5,000)	(11,000)	(2,000)	(1,200)	(3,200)
Total domestic items	3,641,622	6,982,864	10,624,486	2,545,903	8,326,309	10,872,212
Foreign						
US Dollar	72,474	817,022	889,496	482,321	111,971	594,292
Euro	19	-	19	8,946	-	8,946
Yuan	-	-	-	260	-	260
Other currencies	2,063	-	2,063	9,593	-	9,593
Total	74,556	817,022	891,578	501,120	111,971	613,091
<u>Add</u> Accrued interest receivables	-	2,933	2,933	-	299	299
<u>Less</u> Allowance for doubtful accounts	-	(8,170)	(8,170)	-	(1,120)	(1,120)
Total foreign items	74,556	811,785	886,341	501,120	111,150	612,270
Total	3,716,178	7,794,649	11,510,827	3,047,023	8,437,459	11,484,482

	Separate					
	2017			2016		
	On demand	Term	Total	On demand	Term	Total
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Domestic						
The Bank of Thailand and FIDF	1,096,720	430,000	1,526,720	926,239	-	926,239
Commercial Banks	313,038	2,000,000	2,313,038	145,571	3,120,000	3,265,571
Special purpose financial institutions	1,304	4,550,000	4,551,304	910	5,200,000	5,200,910
Other financial institutions	3,650,000	-	3,650,000	3,700,000	-	3,700,000
Total	5,061,062	6,980,000	12,041,062	4,772,720	8,320,000	13,092,720
<u>Add</u> Accrued interest receivables	-	1,997	1,997	-	1,691	1,691
<u>Less</u> Allowance for doubtful accounts	(36,500)	(5,000)	(41,500)	(37,000)	(1,200)	(38,200)
Total domestic items	5,024,562	6,976,997	12,001,559	4,735,720	8,320,491	13,056,211
Foreign						
US Dollar	55,167	817,022	872,189	92,765	111,971	204,736
Euro	19	-	19	8,946	-	8,946
Yuan	-	-	-	260	-	260
Other currencies	2,063	-	2,063	9,593	-	9,593
Total	57,249	817,022	874,271	111,564	111,971	223,535
<u>Add</u> Accrued interest receivables	-	2,933	2,933	-	299	299
<u>Less</u> Allowance for doubtful accounts	-	(8,170)	(8,170)	-	(1,120)	(1,120)
Total foreign items	57,249	811,785	869,034	111,564	111,150	222,714
Total	5,081,811	7,788,782	12,870,593	4,847,284	8,431,641	13,278,925



7 Derivatives

7.1 Derivatives

Derivatives for trading as at 31 December 2017 and 2016 are as follows;

Type of risk	Consolidated					
	2017			2016		
	Fair value		Notional amount Thousand Baht	Fair value		Notional amount Thousand Baht
	Assets	Liabilities		Assets	Liabilities	
	Thousand Baht	Thousand Baht		Thousand Baht	Thousand Baht	
Exchange rate	2,997,089	2,675,946	391,860,760	1,112,524	1,288,996	174,307,865
Interest rate	186,366	421,918	78,835,466	197,139	346,909	68,476,602
Equity price	108,843	1,205,878	12,826,279	42,322	777,178	5,502,286
Total	3,292,298	4,303,742	483,522,505	1,351,985	2,413,083	248,286,753

Type of risk	Separate					
	2017			2016		
	Fair value		Notional amount Thousand Baht	Fair value		Notional amount Thousand Baht
	Assets	Liabilities		Assets	Liabilities	
	Thousand Baht	Thousand Baht		Thousand Baht	Thousand Baht	
Exchange rate	2,997,094	2,712,456	392,331,779	1,112,524	1,299,415	174,891,031
Interest rate	186,366	421,918	78,835,466	197,139	346,909	68,476,602
Equity price	51,428	107,411	7,789,909	5,348	164,496	2,077,102
Total	3,234,888	3,241,785	478,957,154	1,315,011	1,810,820	245,444,735

As at 31 December 2017 and 2016, the proportion, determined based on the notional amount, of derivatives for trading transactions divided by type of counterparty are as follows;

	Consolidated	
	2017	2016
	%	%
Financial institutions	95.86	95.08
Third parties	4.14	4.92
Total	100.00	100.00

	Separate	
	2017	2016
	%	%
Financial institutions	96.77	96.15
Third parties	3.11	3.54
Subsidiaries	0.12	0.31
Total	100.00	100.00

7.2 Derivatives for hedging

Derivatives for hedging as at 31 December 2017 and 2016 are as follows;

Type Risk	Consolidated and Separate					
	2017			2016		
	Fair value		Notional amount	Fair value		Notional amount
	Assets	Liabilities		Assets	Liabilities	
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Exchange rate	81,640	183	2,409,180	1,360	86,306	1,936,776
Total	81,640	183	2,409,180	1,360	86,306	1,936,776

8 Investments in securities, net

8.1 Classification of investments in securities

As at 31 December 2017 and 2016, the Group classifies their investments in securities as follows;

	Consolidated		Separate	
	Fair value		Fair value	
	2017	2016	2017	2016
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Trading securities				
Government and state enterprise securities	1,472,286	441,639	1,472,286	441,639
Private sector's debt securities	888,591	417,936	888,591	417,936
Domestic marketable equity securities	11,437,319	13,473,147	720,262	1,912,429
Total trading securities	13,798,196	14,332,722	3,081,139	2,772,004
Securities designated at fair value through profit or loss*				
Domestic marketable equity securities	2,270,842	-	2,270,842	-
Total securities designated at fair value through profit or loss	2,270,842	-	2,270,842	-
Available-for-sale securities				
Government and state enterprise securities	10,178,640	9,245,168	10,178,640	9,214,925
Domestic marketable equity securities	4,249,131	2,736,980	3,128,424	2,024,820
Foreign marketable equity securities	2,309,630	932,258	-	-
Total available-for-sale securities	16,737,401	12,914,406	13,307,064	11,239,745

* The Bank classifies investments which have specific intention to manage the risk in trading derivatives portfolio as investment designated at fair value through profit or loss (Fair Value Option) to help the Bank reduces the accounting mismatch on measurement or recognition between investments and trading derivatives transactions.



	Consolidated		Separate	
	Amortised cost		Amortised cost	
	2017	2016	2017	2016
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Held-to-maturity debt securities				
Government and state enterprise securities	1,217,919	1,093,949	1,003,406	1,004,185
Total held-to-maturity debt securities	1,217,919	1,093,949	1,003,406	1,004,185

	Consolidated		Separate	
	Cost		Cost	
	2017	2016	2017	2016
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
General investments				
Domestic non-marketable equity securities	52,482	51,646	32,185	31,199
<u>Less</u> Allowance for impairment	(28,377)	(27,387)	(3,339)	(2,199)
Total general investments	24,105	24,259	28,846	29,000
Total investments in securities, net	34,048,463	28,365,336	19,691,297	15,044,934

During the year ended 31 December 2017, the Bank reclassified some available-for-sale investments to general investments in amount of Baht 1.19 million.

8.2 Investments in securities with holdings of 10% upwards

As at 31 December 2017 and 2016, 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			
2017			
Business type	Investment amount		Holding %
	at cost		
	Baht		
<u>Other companies</u>			
Rayongrungrung Co., Ltd.	Real Estate	14,949,792	24.99
BTMU Leasing (Thailand) Co., Ltd.	Leasing	3,085,200	10.00

Consolidated and Separate			
2016			
Business type	Investment amount		Holding %
	at cost		
	Baht		
<u>Other companies</u>			
Rayongrungrung Co., Ltd.	Real Estate	14,949,792	24.99
BTMU Leasing (Thailand) Co., Ltd.	Leasing	3,085,200	10.00

8.3 Recognition of transaction in profit or loss, or other comprehensive income for available for sales investments

Recognition of transaction in profit or loss or other comprehensive income for available for sales investments for the year ended 31 December 2017 and 2016 are as follow;

	Consolidated		Separate	
	2017	2016	2017	2016
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Changes in value of available for sale				
investments	862,966	431,467	96,270	137,663
Realised gain from sale of available for sale investments				
transferred to profit or loss	(177,858)	(89,543)	(25,741)	-
	685,108	341,924	70,529	137,663



9 Investments in subsidiaries, net

As at 31 December 2017 and 2016, the Bank has investments in subsidiaries as follows;

	Separate						
	2017						
	Cost method						Dividend received and profit sharing Thousand Baht
Business type	Securities investment type	Cost Thousand Baht	Impairment Thousand Baht	Net balance Thousand Baht	Holding %		
Phatra Capital PCL.	Holding Company	Ordinary shareholder	7,170,617	-	7,170,617	99.98	420,528
Erawan Law Office Co., Ltd.	Law office	Ordinary shareholder	999	-	999	99.96	-
Asia Recovery 1 Fund	Investments*	Unit trust	192,037	(5,489)	186,548	99.95	-
Asia Recovery 2 Fund	Investments*	Unit trust	449,476	-	449,476	99.59	-
Asia Recovery 3 Fund	Investments*	Unit trust	588,600	-	588,600	99.97	11,678
Thai Restructuring Fund	Investments*	Unit trust	166,200	-	166,200	98.91	932
Bangkok Capital Fund	Investments*	Unit trust	1,801,113	(969,196)	831,917	95.72	242,685
Gamma Capital Fund	Investments*	Unit trust	1,219,914	(462,663)	757,251	94.03	276,145
CMIC Development Co., Ltd.	Real estate	Ordinary shareholder	-	-	-	80.58	-
			11,588,956	(1,437,348)	10,151,608		951,968

* Investments in commercial loans auctioned from Financial Restructuring Authority (FRA).

		Separate					
		2016					
		Cost method					
	Business type	Securities investment type	Cost Thousand Baht	Impairment Thousand Baht	Net balance Thousand Baht	Holding %	Dividend received and profit sharing Thousand Baht
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



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 ended 31 December 2017, the Bank has receive capital distribution for liquidation from Asia Recovery Fund 1, Asia Recovery Fund 2 and Asia Recovery Fund 3 in amount of Baht 334.36 million. (2016: the Bank has received capital distribution for liquidation from the Asia Recovery Property Fund 3, Asia Recovery Fund 2 and Thai Restructuring Fund in amount of Baht 608.98 million).

10 Investments in receivables, net

As at 31 December 2017 and 2016, 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			
	2017			
	Number of debtors	Outstanding balance	Cost	Fair value
		per original and renewed agreements	Thousand	Thousand
		Thousand Baht	Baht	Baht
<u>Kiatnakin Bank Public Company Limited</u>				
Receivables auctioned from FRA				
30 September 1999	301	2,119,301	154,619	66,087
15 December 1999	144	415,409	4,457	5,836
Receivables purchased				
January 2009 - December 2017	3	110,687	55,349	22,956
Receivables auctioned from LED	1,056	11,551,410	952,700	676,784
	1,504	14,196,807	1,167,125	771,663
<u>Subsidiaries (Fund)</u>	2,538	48,827,653	859,923	1,398,775
Total	4,042	63,024,460	2,027,048	2,170,438

Purchase date	Consolidated and Separate			
	2016			
	Number of	Outstanding balance	Cost	Fair value
	debtors	per original and renewed	Thousand	Thousand
		agreements Thousand Baht	Baht	Baht
<u>Kiattakin 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
Total	4,260	63,666,932	2,238,057	2,553,786

11 Investment property, net

	Consolidated	
	2017	2016
	Thousand Baht	Thousand Baht
Cost	218,826	1,275,507
<u>Less</u> Accumulated depreciation	(70,593)	(424,413)
Net book amount	148,233	851,094
Opening net book amount	851,094	843,476
Additions	2,545	47,504
Write-off	(16,539)	(368)
Transferred - in (out)	(684,763)	(18,736)
Depreciation	(4,104)	(20,782)
Closing net book amount	148,233	851,094
Fair value	284,635	1,409,898



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 or loss that are related to investment property are as follows;

	Consolidated	
	2017	2016
	Thousand Baht	Thousand Baht
Rental income	108,354	133,809
Direct operating expense arise from investment property that generated rental income	58,446	66,087

12 Loans to customers and accrued interest receivables, net

12.1 Classified by product

	Consolidated		Separate	
	2017	2016	2017	2016
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
<u>Loans</u>				
Overdrafts	977,044	1,115,428	977,044	1,115,428
Loans	81,117,812	56,741,485	83,947,562	58,806,235
Bills	45,555	48,836	45,555	48,836
Hire-purchase receivables	128,880,307	137,731,087	128,880,307	137,731,087
Finance lease receivables	721,008	850,994	721,008	850,994
Total loans	211,741,726	196,487,830	214,571,476	198,552,580
<u>Less</u> Deferred revenue	(19,634,968)	(20,133,733)	(19,634,968)	(20,133,733)
Total loans net of deferred revenue	192,106,758	176,354,097	194,936,508	178,418,847
<u>Add</u> Accrued interest receivables	980,205	922,666	986,717	926,724
Total loans and accrued interest receivables net of deferred revenue	193,086,963	177,276,763	195,923,225	179,345,571
<u>Less</u> Allowance for doubtful accounts				
1. Minimum allowance per BOT guideline				
- Individual Approach	(2,216,914)	(2,209,657)	(2,235,614)	(2,220,557)
- Collective Approach	(3,378,547)	(3,625,354)	(3,378,547)	(3,625,354)
2. Surplus reserve	(4,978,205)	(5,129,700)	(4,978,205)	(5,129,700)
<u>Less</u> Allowance for troubled debt restructuring	(2,294)	(1,135)	(2,294)	(1,135)
Net loans to customers and accrued interest receivables	182,511,003	166,310,917	185,328,565	168,368,825

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	
	2017 Thousand Baht	2016 Thousand Baht	2017 Thousand Baht	2016 Thousand Baht
Domestic				
Baht	188,621,252	172,578,655	191,451,002	174,643,405
US dollar	162,277	-	162,277	-
Foreign				
Baht	2,017,169	2,017,344	2,017,169	2,017,344
US Dollar	1,306,060	1,758,098	1,306,060	1,758,098
Total loans	<u>192,106,758</u>	<u>176,354,097</u>	<u>194,936,508</u>	<u>178,418,847</u>



12.3 Classified by business type and loans classification

	Consolidated					Separate				
	31 December 2017					31 December 2017				
	Normal Thousand Baht	Special mention Thousand Baht	Substandard Thousand Baht	Doubtful loss Thousand Baht	Total Thousand Baht	Normal Thousand Baht	Special mention Thousand Baht	Substandard Thousand Baht	Doubtful loss Thousand Baht	Total Thousand Baht
Agriculture and mining	397,837	-	-	8,568	406,405	397,837	-	-	8,568	406,405
Manufacturing and commerce	8,832,267	265,080	305,047	462,271	10,197,236	8,832,267	265,080	305,047	462,271	10,197,236
Property development										
and construction	22,184,945	1,165,227	1,233,766	3,975,071	29,039,695	23,144,695	1,165,227	1,233,766	3,975,071	29,999,445
Public utilities and services	9,787,082	263,550	6,278	58,299	10,136,217	9,787,082	263,550	6,278	58,299	10,136,217
Housing loans	10,089,897	68,038	42,041	55,080	10,314,201	10,089,897	68,038	42,041	55,080	10,314,201
Hire-purchase loans	96,449,582	10,607,665	1,027,676	438,162	109,336,445	96,449,582	10,607,665	1,027,676	438,162	109,336,445
Leasing loans	549,330	15,724	54,749	31,658	661,655	549,330	15,724	54,749	31,658	661,655
Others	21,551,356	231,692	170,388	45,898	22,014,904	23,421,356	231,692	170,388	45,898	23,884,904
Total loans	169,842,296	12,616,976	2,839,945	5,075,007	192,106,758	172,672,046	12,616,976	2,839,945	5,075,007	194,936,508
Accrued interest receivables	785,708	194,497	-	-	980,205	792,220	194,497	-	-	986,717
Total	170,628,004	12,811,473	2,839,945	5,075,007	193,086,963	173,464,266	12,811,473	2,839,945	5,075,007	195,923,225

	Consolidated					Separate				
	31 December 2016					31 December 2016				
	Normal Thousand Baht	Special mention Thousand Baht	Substandard Thousand Baht	Doubtful loss Thousand Baht	Total Thousand Baht	Normal Thousand Baht	Special mention Thousand Baht	Substandard 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	10,368,324	9,189,594	188,166	366,795	172,909	10,368,324
Property development										
and construction	18,557,481	2,320,221	1,638,770	538,162	27,257,688	19,532,231	2,320,221	1,638,770	538,162	28,232,438
Public utilities and services	4,746,752	120,568	7,007	1,757	4,930,279	4,746,752	120,568	7,007	1,757	4,930,279
Housing loans	3,235,710	57,394	11,326	18,191	3,368,335	3,235,710	57,394	11,326	18,191	3,368,335
Hire-purchase loans	103,247,204	12,209,223	1,134,256	827,127	117,688,120	103,247,204	12,209,223	1,134,256	827,127	117,688,120
Leasing loans	711,347	7,273	27,188	11,062	778,186	711,347	7,273	27,188	11,062	778,186
Others	11,426,266	175,441	101,137	11,087	11,761,224	12,516,266	175,441	101,137	11,087	12,851,224
Total loans	151,307,631	15,078,286	3,286,575	1,588,863	176,354,097	153,372,381	15,078,286	3,286,575	1,588,863	178,418,847
Accrued interest receivables	708,941	213,725	-	-	922,666	712,999	213,725	-	-	926,724
Total	152,016,572	15,292,011	3,286,575	1,588,863	177,276,763	154,085,380	15,292,011	3,286,575	1,588,863	179,345,571



12.4 Classification by loans classification

Loans classification	Consolidated			
	2017			
	Loans outstanding and interest receivables Thousand Baht	Net balance used for allowance Thousand Baht	Rate used for allowance %	Allowance for doubtful accounts Thousand Baht
Normal				
Loans ⁽¹⁾	73,690,982	28,994,094	1.00	289,941
Other hire-purchase receivables ⁽²⁾	5,277,447	3,304,054	1.00	33,040
Hire-purchase receivables	91,659,575	91,193,885	1.58	1,438,266
Special mention				
Loans ⁽¹⁾	2,032,917	353,602	2.00	7,072
Other hire-purchase receivables ⁽²⁾	116,352	87,493	2.00	1,750
Hire-purchase receivables	10,662,204	10,492,744	11.14	1,168,508
Substandard				
Loans	1,812,269	435,199	100.00	435,199
Other hire-purchase receivables ⁽²⁾	38,944	26,474	100.00	26,474
Hire-purchase receivables	988,732	988,732	34.72	343,332
Doubtful				
Loans	919,174	200,548	100.00	200,548
Other hire-purchase receivables ⁽²⁾	16,300	16,300	100.00	16,300
Hire-purchase receivables	797,060	797,059	34.76	277,036
Doubtful loss				
Loans	4,636,845	1,205,340	100.00	1,205,340
Other hire-purchase receivables ⁽²⁾	1,251	1,251	100.00	1,251
Hire-purchase receivables	436,911	436,910	34.65	151,404
Total loans and accrued interest receivables	193,086,963	138,533,685		5,595,461
Additional allowance for some doubtful accounts				478,205
General reserve				4,500,000
Total				10,573,666

⁽¹⁾ Allowance for doubtful accounts on troubled debt restructured receivables have been wholly presented in allowance for troubled debt restructuring.

⁽²⁾ Hire-purchase receivables - fleet, car 3x and motorbike.

Loans classification	Consolidated			
	2106			
	Loans outstanding and interest receivables Thousand Baht	Net balance used for allowance Thousand Baht	Rate used for allowance %	Allowance for doubtful accounts Thousand Baht
Normal				
Loans ⁽¹⁾	48,276,862	14,392,177	1.00	143,922
Other hire-purchase receivables ⁽²⁾	4,402,222	2,667,242	1.00	26,672
Hire-purchase receivables	99,337,488	98,861,399	1.54	1,520,449
Special mention				
Loans ⁽¹⁾	2,897,756	234,877	2.00	4,697
Other hire-purchase receivables ⁽²⁾	156,798	144,311	2.00	2,886
Hire-purchase receivables	12,237,457	12,054,638	11.36	1,369,207
Substandard				
Loans	2,152,319	462,354	100.00	462,354
Other hire-purchase receivables ⁽²⁾	91,423	63,362	100.00	63,362
Hire-purchase receivables	1,042,833	1,042,833	34.61	360,935
Doubtful				
Loans	761,736	228,470	100.00	228,470
Other hire-purchase receivables ⁽²⁾	7,100	7,100	100.00	7,100
Hire-purchase receivables	820,027	820,027	34.54	283,198
Doubtful loss				
Loans	4,822,432	1,270,161	100.00	1,270,161
Other hire-purchase receivables ⁽²⁾	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
Total				10,964,711

⁽¹⁾ Allowance for doubtful accounts on troubled debt restructured receivables have been wholly presented in allowance for troubled debt restructuring

⁽²⁾ Hire-purchase receivables - fleet, car 3x and motorbike.



Loans classification	Separate			
	2017			
	Loans outstanding and interest receivables Thousand Baht	Net balance used for allowance Thousand Baht	Rate used for allowance %	Allowance for doubtful accounts Thousand Baht
Normal				
Loans ⁽¹⁾	76,527,244	30,864,094	1.00	308,641
Other hire-purchase receivables ⁽²⁾	5,277,447	3,304,054	1.00	33,040
Hire-purchase receivables	91,659,575	91,193,885	1.58	1,438,266
Special mention				
Loans ⁽¹⁾	2,032,917	353,602	2.00	7,072
Other hire-purchase receivables ⁽²⁾	116,352	87,493	2.00	1,750
Hire-purchase receivables	10,662,204	10,492,744	11.14	1,168,508
Substandard				
Loans	1,812,269	435,199	100.00	435,199
Other hire-purchase receivables ⁽²⁾	38,944	26,474	100.00	26,474
Hire-purchase receivables	988,732	988,732	34.72	343,332
Doubtful				
Loans	919,174	200,548	100.00	200,548
Other hire-purchase receivables ⁽²⁾	16,300	16,300	100.00	16,300
Hire-purchase receivables	797,060	797,059	34.76	277,036
Doubtful loss				
Loans	4,636,845	1,205,340	100.00	1,205,340
Other hire-purchase receivables ⁽²⁾	1,251	1,251	100.00	1,251
Hire-purchase receivables	436,911	436,910	34.65	151,404
Total loans and accrued interest receivables	195,923,225	140,403,685		5,614,161
Additional allowance for some doubtful accounts				478,205
General reserve				4,500,000
Total				10,592,366

⁽¹⁾ Allowance for doubtful accounts on troubled debt restructured receivables have been wholly presented in allowance for troubled debt restructuring.

⁽²⁾ Hire-purchase receivables - fleet, car 3x and motorbike.

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
Normal				
Loans ⁽¹⁾	50,345,670	15,482,177	1.00	154,822
Other hire-purchase receivables ⁽²⁾	4,402,222	2,667,242	1.00	26,672
Hire-purchase receivables	99,337,488	98,861,399	1.54	1,520,449
Special mention				
Loans ⁽¹⁾	2,897,756	234,877	2.00	4,697
Other hire-purchase receivables ⁽²⁾	156,798	144,311	2.00	2,886
Hire-purchase receivables	12,237,457	12,054,638	11.36	1,369,207
Substandard				
Loans	2,152,319	462,354	100.00	462,354
Other hire-purchase receivables ⁽²⁾	91,423	63,362	100.00	63,362
Hire-purchase receivables	1,042,833	1,042,833	34.61	360,935
Doubtful				
Loans	761,736	228,470	100.00	228,470
Other hire-purchase receivables ⁽²⁾	7,100	7,100	100.00	7,100
Hire-purchase receivables	820,027	820,027	34.54	283,198
Doubtful loss				
Loans	4,822,432	1,270,161	100.00	1,270,161
Other hire-purchase receivables ⁽²⁾	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
Total				10,975,611

⁽¹⁾ Allowance for doubtful accounts on troubled debt restructured receivables have been wholly presented in allowance for troubled debt restructuring.

⁽²⁾ Hire-purchase receivables - fleet, car 3x and motorbik



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	
	2017	2016	2017	2016
	Thousand	Thousand	Thousand	Thousand
	Baht	Baht	Baht	Baht
Non-performing loans (excluding accrued interest receivables)	9,647,486	9,968,180	9,647,486	9,968,180
Percentage of non-performing loans to total loans				
(including loans to financial institutions)	4.82	5.39	4.68	5.23
Non-performing loans net of allowance for doubtful accounts				
(excluding accrued interest receivables)	6,664,762	6,766,736	6,664,762	6,766,736
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)	3.38	3.72	3.28	3.61
Percentage of non-performing loans to the total of each type of loans				
- Loans	8.90	13.16	8.61	12.72
- Hire-purchase receivables	2.08	1.90	2.08	1.90

Loans and accrued interest receivables from which recognition of income based on accrual basis has been discontinued are as follows;

	Consolidated and Separate			
	2017		2016	
	Principal	Interest	Principal	Interest
	Thousand Baht	receivables Thousand Baht	Thousand Baht	receivables Thousand Baht
Loans and bills receivables	7,368,288	-	7,736,487	-
Hire-purchase receivables	2,279,198	-	2,231,693	-
Total loans from which recognition of income has been discontinued	9,647,486	-	9,968,180	-

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			
	2017			
	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	4,222,209	91,880,944	33,498,162	129,601,315
<u>Less</u> Unearned income*				(19,603,215)
Present value of minimum lease payment				
per agreement				109,998,100
<u>Less</u> Allowance for doubtful accounts				(3,524,533)
Hire-purchase and finance lease receivables, net				106,473,567

	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

* Net of commission and direct expenses incurred at the initiation of hire-purchase.



14 Allowance for doubtful accounts

Consolidated							
2017							
	Normal	Special	Substandard	Doubtful	Doubtful	General	Total
	Thousand	mention	Thousand	Thousand	loss	reserve	Thousand
	Baht	Thousand	Thousand	Thousand	Thousand	Thousand	Thousand
	Baht	Baht	Baht	Baht	Baht	Baht	Baht
At beginning of year	1,858,590	1,404,677	938,689	545,058	1,717,697	4,500,000	10,964,711
<u>Add</u> Doubtful accounts (reversal)	42,073	(214,398)	(97,118)	(33,851)	1,978,918	-	1,675,624
<u>Less</u> Bad debt written-off	-	-	-	-	(2,066,669)	-	(2,066,669)
At end of year	1,900,663	1,190,279	841,571	511,207	1,629,946	4,500,000	10,573,666

Consolidated							
2016							
	Normal	Special	Substandard	Doubtful	Doubtful	General	Total
	Thousand	mention	Thousand	Thousand	loss	reserve	Thousand
	Baht	Thousand	Thousand	Thousand	Thousand	Thousand	Thousand
	Baht	Baht	Baht	Baht	Baht	Baht	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

Separate							
2017							
	Normal	Special	Substandard	Doubtful	Doubtful	General	Total
	Thousand	mention	Thousand	Thousand	loss	reserve	Thousand
	Baht	Thousand	Thousand	Thousand	Thousand	Thousand	Thousand
	Baht	Baht	Baht	Baht	Baht	Baht	Baht
At beginning of year	1,869,490	1,404,677	938,689	545,058	1,717,697	4,500,000	10,975,611
<u>Add</u> Doubtful accounts (reversal)	49,873	(214,398)	(97,118)	(33,851)	1,978,918	-	1,683,424
<u>Less</u> Bad debt written-off	-	-	-	-	(2,066,669)	-	(2,066,669)
At end of year	1,919,363	1,190,279	841,571	511,207	1,629,946	4,500,000	10,592,366

Separate							
2016							
	Normal	Special	Substandard	Doubtful	Doubtful	General	Total
	Thousand	mention	Thousand	Thousand	loss	reserve	Thousand
	Baht	Thousand	Thousand	Thousand	Thousand	Thousand	Thousand
	Baht	Baht	Baht	Baht	Baht	Baht	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

15 Troubled debt restructuring

As at 31 December 2017, 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 2017	66	1,319,543	199,605
Restructured during the year ended 31 December 2017	2	8,369	-

Details of customers whose debts have been restructured compared with the total customers, both in the consolidated and separate financial statements are as follows;

	Consolidated and Separate			
	2017		2016	
	Number of loans	Outstanding balance before restructuring Thousand Baht	Number of loans	Outstanding balance before restructuring Thousand Baht
Restructured debts	2	8,369	3	81,061
Total customers	450,635	195,646,434	471,867	178,418,847

Details of the restructured debts for the year ended 31 December 2017 and 2016, classified into the restructuring methods are as follows;

Restructuring method	Consolidated and Separate					
	2017					
	Outstanding balance			Assets transferred		
	Number of loans	Before restructuring Thousand Baht	After restructuring Thousand Baht	Type of assets	Fair value of assets Thousand Baht	Loss from restructuring Thousand Baht
Transfer of properties	1	8,258	-	Land and building	4,671	3,587
Modifications of terms of receivables	1	111	-		-	71
Total	2	8,369	-		4,671	3,658



Consolidated and Separate						
2016						
Restructuring method	Outstanding balance			Assets transferred		
	Number of loans	Before restructuring Thousand Baht	After restructuring Thousand Baht	Type of assets	Fair value of assets Thousand Baht	Loss from restructuring Thousand Baht
Transfer of properties	3	81,061	-	Land and building	57,860	2,245
Total	3	81,061	-		57,860	2,245

The debts restructured referred to above can be classified by the terms of repayment under the restructuring agreements as follows;

Consolidated and Separate						
Period of debts restructuring contracts	2017			2016		
	Debt balances			Debt balances		
	Number of debtors	Before restructuring Thousand Baht	After restructuring Thousand Baht	Number of debtors	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	26,451	1	90,671	39,418
Total	1	90,671	26,451	1	90,671	39,418

Supplemental information relating to the restructured debts for the years ended 31 December 2017 and 2016 are as follows;

	Consolidated and Separate	
	2017 Thousand Baht	2016 Thousand Baht
Loss on debt restructuring	3,658	2,245
Interest income	3,033	10,495

16 Allowance for troubled debt restructuring

	Consolidated and Separate	
	2017 Thousand Baht	2016 Thousand Baht
At beginning of year	1,135	6,413
<u>Less</u> Decreased during year	1,159	(5,278)
At end of year	2,294	1,135

17 Properties foreclosed, net

	Consolidated		Separate	
	2017 Thousand Baht	2016 Thousand Baht	2017 Thousand Baht	2016 Thousand Baht
Properties foreclosed	5,856,875	5,214,436	7,545,235	6,344,887
<u>Less</u> Provision for diminution in value	(1,762,383)	(1,486,052)	(1,760,818)	(1,474,184)
Net properties foreclosed	4,094,492	3,728,384	5,784,417	4,870,703

The Group acquired properties foreclosed by transferring assets, auction and repossession for the debt settlement.

	Consolidated		
	2017		
	Immovable assets Thousand Baht	Movable assets Thousand Baht	Total Thousand Baht
At beginning of year	4,821,928	392,508	5,214,436
Additions	1,187,953	3,586,952	4,774,905
Disposals	(504,077)	(3,628,389)	(4,132,466)
At end of year	5,505,804	351,071	5,856,875
<u>Less</u> Provision for diminution in value	(1,634,005)	(128,378)	(1,762,383)
Net properties foreclosed	3,871,799	222,693	4,094,492



	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

	Separate		
	2017		
	Immovable assets Thousand Baht	Movable assets Thousand Baht	Total Thousand Baht
At beginning of year	5,952,379	392,508	6,344,887
Additions	1,909,681	3,586,952	5,496,633
Disposals	(667,896)	(3,628,389)	(4,296,285)
At end of year	7,194,164	351,071	7,545,235
<u>Less</u> Provision for diminution in value	(1,632,440)	(128,378)	(1,760,818)
Net properties foreclosed	5,561,724	222,693	5,784,417

	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
<u>Less</u> Provision for diminution in value	(1,350,942)	(123,242)	(1,474,184)
Net properties foreclosed	4,601,437	269,266	4,870,703

Immovable properties foreclosed classified by external and internal appraisers as at 31 December 2017 and 2016 are as follows;

	Consolidated		Separate	
	2017	2016	2017	2016
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Immovable properties foreclosed				
Appraised by external appraisers	5,433,100	4,740,772	7,121,460	5,871,372
Appraised by internal appraisers	72,704	81,156	72,704	81,007
Total	5,505,804	4,821,928	7,194,164	5,952,379

18 Land, premises and equipment, net

	Consolidated								
	2017								
	Cost				Accumulated depreciation				Land, Premises and
	Beginning balance	Additions	Disposals/ Transfers	Ending balance	Beginning balance	Additions	Disposals/ Transfers	Ending balance	Equipment, net
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Land	344,304	179,099	-	523,403	-	-	-	-	523,403
Premises and building and building improvement	1,916,264	864,929	(53,938)	2,727,255	(914,167)	(423,968)	32,774	(1,305,361)	1,421,894
Equipment	1,380,762	137,913	(43,443)	1,475,232	(1,015,358)	(128,499)	43,378	(1,100,479)	374,753
Furniture and fixtures	879,195	69,271	(1,801)	946,665	(593,446)	(82,805)	1,799	(674,452)	272,213
Vehicles	338,325	65,130	(71,883)	331,572	(249,506)	(44,306)	70,815	(222,997)	108,575
Work in progress	5,426	79,486	(41,585)	43,327	-	-	-	-	43,327
Total	4,864,276	1,395,828	(212,650)	6,047,454	(2,772,477)	(679,578)	148,766	(3,303,289)	2,744,165

	Consolidated								
	2016								
	Cost				Accumulated depreciation				Land,
	Beginning balance		Disposals/	Ending balance	Beginning balance	Additions	Disposals/	Ending balance	Premises and
	Thousand Baht	Thousand Baht	Transfers Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Transfers Thousand Baht	Thousand Baht	Equipment, net Thousand Baht
Land	339,380	4,924	-	344,304	-	-	-	-	344,304
Premises and building and building 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
Total	4,778,999	758,056	(672,779)	4,864,276	(2,886,737)	(315,142)	429,402	(2,772,477)	2,091,799



Separate									
2017									
	Cost				Accumulated depreciation				Land, Premises and Equipment, net
	Beginning balance	Additions	Disposals/ Transfers	Ending balance	Beginning balance	Additions	Disposals/ Transfers	Ending balance	
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Land	94,968	-	-	94,968	-	-	-	-	94,968
Premises and building	76,552	-	-	76,552	(53,940)	(2,439)	-	(56,379)	20,173
Equipment	1,125,529	117,838	(18,469)	1,224,898	(818,054)	(100,282)	18,308	(900,028)	324,870
Furniture and fixtures	797,100	64,812	-	861,912	(536,070)	(71,276)	-	(607,346)	254,566
Vehicles	315,901	60,070	(69,197)	306,774	(233,083)	(40,896)	68,129	(205,850)	100,924
Work in progress	5,271	52,958	(22,456)	35,773	-	-	-	-	35,773
Total	2,415,321	295,678	(110,122)	2,600,877	(1,641,147)	(214,893)	86,437	(1,769,603)	831,274

Separate									
2016									
	Cost				Accumulated depreciation				Land, Premises and Equipment, net
	Beginning balance	Additions	Disposals/ Transfers	Ending balance	Beginning balance	Additions	Disposals/ Transfers	Ending balance	
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Land	94,968	-	-	94,968	-	-	-	-	94,968
Premises and building	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

19 Other intangible assets, net and goodwill

19.1 Other intangible assets, net

Consolidated									
2017									
	Cost				Accumulated amortisation				Other Intangible Assets, net
	Beginning balance	Additions	Disposals/ Transfers	Ending balance	Beginning balance	Additions	Disposals/ Transfers	Ending balance	
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Software	1,356,841	220,956	(68,533)	1,509,264	(799,625)	(126,533)	68,441	(857,717)	651,547
License fee	500	-	-	500	(329)	(50)	-	(379)	121
Work in progress	176,337	172,277	(204,521)	144,093	-	-	-	-	144,093
Total	1,533,678	393,233	(273,054)	1,653,857	(799,954)	(126,583)	68,441	(858,096)	795,761

Consolidated									
2016									
	Cost				Accumulated amortisation				Other Intangible Assets, net
	Beginning balance	Additions	Disposals/ Transfers	Ending balance	Beginning balance	Additions	Disposals/ Transfers	Ending balance	
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	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

Separate									
2017									
	Cost				Accumulated amortisation				Other Intangible Assets, net
	Beginning balance	Additions	Disposals/ Transfers	Ending balance	Beginning balance	Additions	Disposals/ Transfers	Ending balance	
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Software	1,057,228	199,841	-	1,257,069	(557,930)	(104,038)	-	(661,968)	595,101
Work in progress	168,612	156,205	(185,556)	139,261	-	-	-	-	139,261
Total	1,225,840	356,046	(185,556)	1,396,330	(557,930)	(104,038)	-	(661,968)	734,362

Separate									
2016									
	Cost				Accumulated amortisation				Other Intangible Assets, net
	Beginning balance	Additions	Disposals/ Transfers	Ending balance	Beginning balance	Additions	Disposals/ Transfers	Ending balance	
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	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

19.2 Goodwill

Consolidated				
2017				
Cost				
	Beginning balance	Additions	Disposals/ transfers	Ending balance
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Goodwill	3,066,035	-	-	3,066,035
Total	3,066,035	-	-	3,066,035



	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
Total	3,066,035	-	-	3,066,035

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 projection of dividend to be received 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 2016: 4%) and the discount rate of 12% per annum (31 December 2016: 12%).

The recoverable amount using this Dividend Discount Model is greater than the book value amount of Baht 892 million (31 December 2016: Baht 724 million). A reduction in dividend growth rate to 2.68% (31 December 2016: 2.90%) or a rise in discount rate to 12.72% (31 December 2016: 12.60%) would remove the remaining headroom.

20 Deferred income tax, net

Deferred tax assets and deferred tax liabilities as at 31 December 2017 and 2016 are as follows;

	Consolidated		Separate	
	2017 Thousand Baht	2016 Thousand Baht	2017 Thousand Baht	2016 Thousand Baht
Deferred tax assets	1,703,440	1,680,935	1,697,491	1,673,658
Deferred tax liabilities	(160,138)	(54,614)	-	-
Deferred income tax, net	1,543,302	1,626,321	1,697,491	1,673,658

Movements in deferred tax assets and deferred tax liabilities during the year were as follows;

	Consolidated				
	Balance as at 1 January 2017 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 2017 Thousand Baht
Deferred tax assets					
Allowance for doubtful accounts	905,284	(962)	-	-	904,322
Allowance for impairment of investments	341,558	52,104	-	-	393,662
Allowance for impairment of properties foreclosed	296,488	57,123	-	-	353,611
Provisions	227,100	2,458	9,296	-	238,854
Income received in advance	183,323	7,095	-	-	190,418
Non-accrued interest income	60,489	(1,829)	-	-	58,660
Depreciation of assets	345	(313)	-	-	32
Loss on remeasuring available-for-sale securities	40	(40)	-	-	-
Unrealised gain on remeasuring securities					
borrowing and lending	-	5,039	-	-	5,039
Unrealised loss on remeasuring derivatives	19,694	-	-	-	19,694
Others	118,095	(108,626)	-	-	9,469
Total	2,152,416	12,049	9,296	-	2,173,761
Deferred tax liabilities					
Premise appraisal surplus	27,349	(3,446)	-	-	23,903
Prepaid hire-purchase commission	270,647	(25,126)	-	-	245,521
Gain on remeasuring available-for-sale securities	111,646	(5,498)	134,863	-	241,011
Unrealised gain on remeasuring trading securities	102,405	(29,286)	-	-	73,119
Unrealised gain on remeasuring securities					
borrowing and lending	2,509	-	-	-	2,509
Unrealised gain on remeasuring derivatives	-	16,248	-	-	16,248
Others	11,539	16,609	-	-	28,148
Total	526,095	(30,499)	134,863	-	630,459
Deferred income tax, net	1,626,321	42,548	(125,567)	-	1,543,302



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
Deferred tax assets					
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
Total	1,815,332	350,442	(6,697)	(6,661)	2,152,416
Deferred tax liabilities					
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
Total	479,351	(14,651)	61,395	-	526,095
Deferred income tax, net	1,335,981	365,093	(68,092)	(6,661)	1,626,321

	Separate		
	Balance as at 1 January 2017 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 2017 Thousand Baht
Deferred tax assets			
Allowance for doubtful accounts	905,284	(962)	-
Allowance for impairment of investments	340,092	52,104	-
Allowance for impairment of properties foreclosed	294,837	57,327	-
Provisions	200,457	1,285	3,241
Income received in advance	179,745	7,933	-
Non-accrued interest income	60,489	(1,829)	-
Others	115,899	(108,435)	-
Total	2,096,803	7,423	3,241
Deferred tax liabilities			
Prepaid hire-purchase commission	270,647	(25,126)	-
Gain on remeasuring available-for-sale securities	104,326	-	15,609
Others	48,172	(3,652)	-
Total	423,145	(28,778)	15,609
Deferred income tax, net	1,673,658	36,201	(12,368)



	Separate			
		Items as recognised	Items as recognised	
	Balance as at	into profit or loss	into other	Balance as at
	1 January 2016	into profit or loss	comprehensive	31 December 2016
	Thousand Baht	Thousand Baht	Income	Thousand Baht
			Thousand Baht	
Deferred tax assets				
Allowance for doubtful accounts	576,726	328,558	-	905,284
Allowance for impairment of investments	261,443	78,649	-	340,092
Allowance for impairment of properties foreclosed	286,636	8,201	-	294,837
Provisions	172,388	28,069	-	200,457
Income received in advance	211,762	(32,017)	-	179,745
Non-accrued interest income	59,760	729	-	60,489
Others	163,731	(47,832)	-	115,899
Total	1,732,446	364,357	-	2,096,803
Deferred tax liabilities				
Prepaid hire-purchase commission	267,352	3,295	-	270,647
Gain on remeasuring available-for-sale securities	75,647	-	28,679	104,326
Others	-	48,172	-	48,172
Total	342,999	51,467	28,679	423,145
Deferred income tax, net	1,389,447	312,890	(28,679)	1,673,658

21 Other assets, net

	Consolidated		Separate	
	2017 Thousand Baht	2016 Thousand Baht	2017 Thousand Baht	2016 Thousand Baht
Interest and dividend income receivables	109,737	130,251	92,257	106,283
Other income receivables*	251,141	168,747	18,941	14,963
Prepaid expenses and deferred expenses	224,043	160,445	195,945	126,867
Prepaid output tax for hire-purchase receivables*	80,872	89,877	80,872	89,877
Other receivables, net*	630,962	833,283	577,261	651,940
Receivables from trading securities	1,114,971	133,369	1,114,971	133,369
Refundable deposits	77,418	220,063	111,197	101,824
Withholding income tax	5,747	11,153	-	-
Input VAT - pending tax invoice	195,752	285,513	195,096	285,173
Prepayment for leasehold right	47,411	49,683	61,111	66,877
Others*	271,902	75,243	39,139	31,609
Total other assets	3,009,956	2,157,627	2,486,790	1,608,782

* As at 31 December 2017 these transactions are shown net of total doubtful accounts of Baht 18.58 million in the consolidated and the separate financial statements (2016: Baht 21.87 million in the consolidated and the separate financial statements).

22 Deposits

22.1 Classified by type of deposit

	Consolidated		Separate	
	2017 Thousand Baht	2016 Thousand Baht	2017 Thousand Baht	2016 Thousand Baht
Current accounts	414,598	397,636	705,560	652,232
Savings accounts	53,472,240	58,626,581	53,581,416	58,658,098
Term deposits	78,238,356	50,094,639	78,238,356	50,094,639
NCD	752,912	804,063	752,912	804,063
Total	132,878,106	109,922,919	133,278,244	110,209,032



22.2 Classified by currency and residence of depositors

	Consolidated					
	2017			2016		
	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht
Thai Baht	132,151,841	726,265	132,878,106	109,441,065	481,854	109,922,919
Total	132,151,841	726,265	132,878,106	109,441,065	481,854	109,922,919

	Separate					
	2017			2016		
	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht
Thai Baht	132,551,979	726,265	133,278,244	109,727,178	481,854	110,209,032
Total	132,551,979	726,265	133,278,244	109,727,178	481,854	110,209,032

23 Interbank and money market items, net (liabilities)

	Consolidated					
	2017			2016		
	On demand Thousand Baht	Term Thousand Baht	Total Thousand Baht	On demand Thousand Baht	Term Thousand Baht	Total Thousand Baht
Domestic						
Bank of Thailand and Financial						
Institution Development Fund	-	324,769	324,769	-	242,376	242,376
Commercial banks	370,000	2,990,000	3,360,000	379,681	1,950,000	2,329,681
Specific Financial Institution	-	3,644,812	3,644,812	-	4,495,436	4,495,436
Other financial institutions	193,553	766,589	960,142	141,097	1,151,061	1,292,158
Total	563,553	7,726,170	8,289,723	520,778	7,838,873	8,359,651

	Separate					
	2017			2016		
	On demand	Term	Total	On demand	Term	Total
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Domestic						
Bank of Thailand and Financial						
Institution Development Fund	-	324,769	324,769	-	242,376	242,376
Commercial banks	-	2,990,000	2,990,000	9,681	1,950,000	1,959,681
Specific Financial Institution	-	3,644,812	3,644,812	-	4,495,436	4,495,436
Other financial institutions	224,527	766,589	991,116	151,637	1,151,061	1,302,698
Total	224,527	7,726,170	7,950,697	161,318	7,838,873	8,000,191

24 Debt issued and borrowings

	Currency	Interest rate %	Maturity	Consolidated	
				2017	2016
				Thousand Baht	Thousand Baht
Senior securities	THB	1.48 - 5.10	2018	44,461,700	46,548,000
Subordinated bond	THB	3.80 - 5.10	2025 - 2026	6,000,000	6,000,000
Bills of exchange	THB	3.65	2017	-	90,000
Structured debentures not designated at fair value	THB	0.80 - 2.12 and linked to equity or set index price	2018 - 2020	6,195,884	3,416,619
Total				56,657,584	56,054,619

	Currency	Interest rate %	Maturity	Separate	
				2017	2016
				Thousand Baht	Thousand Baht
Senior securities	THB	1.48 - 5.10	2018	44,461,700	46,548,000
Subordinated bond	THB	3.80 - 5.10	2025 - 2026	6,000,000	6,000,000
Bills of exchange	THB	3.65	2017	-	90,000
Structured debentures not designated at fair value	THB	1.55 - 2.12 and linked to equity or set index price	2018 - 2020	1,462,096	308,967
Total				51,923,796	52,946,967



25 Provisions

	Consolidated		Separate	
	2017 Thousand Baht	2016 Thousand Baht	2017 Thousand Baht	2016 Thousand Baht
Post-employment benefits obligation	525,065	438,785	346,099	302,143
Others	107,064	129,038	107,064	129,038
Total	632,129	567,823	453,163	431,181

Post-employment benefits obligation

The Group has post-employment benefit 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 2017 and 2016 are as follows;

	Consolidated		Separate	
	2017 Thousand Baht	2016 Thousand Baht	2017 Thousand Baht	2016 Thousand Baht
Current service cost	44,545	56,556	30,045	41,489
Interest cost	11,250	10,590	7,477	6,820
Total	55,795	67,146	37,522	48,309

Movements in the present value of the defined benefit obligation for the years ended 31 December 2017 and 2016 are as follows;

	Consolidated		Separate	
	2017 Thousand Baht	2016 Thousand Baht	2017 Thousand Baht	2016 Thousand Baht
Beginning defined benefit obligation	438,785	399,403	302,143	243,102
Current service cost	44,545	56,556	30,045	41,489
Interest cost	11,250	10,590	7,477	6,820
Defined benefit obligation transferred from subsidiary company	-	-	318	10,732
Subsidiary for sale	-	(24,560)	-	-
Remeasurements:				
Loss from change in demographic assumptions	5,987	-	1,832	-
Loss from change in financial assumptions	22,099	-	5,706	-
Experience (gain) loss	18,393	(313)	8,665	-
Benefits paid	(15,994)	(2,891)	(10,087)	-
Ending defined benefit obligation	525,065	438,785	346,099	302,143

The principal actuarial assumptions used to calculate the obligation under the defined benefit plans as at 31 December 2017 and 2016 are as follows;

	2017	2016
Financial assumptions		
Discount rate	1.2 % - 4.0 %	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	
	2017 Thousand Baht	2016 Thousand Baht	2017 Thousand Baht	2016 Thousand Baht
Discount rate -1.0%	565,073	470,826	371,713	323,977
Discount rate (base)	525,065	438,785	346,099	302,143
Discount rate +1.0%	489,856	410,592	323,604	282,956
Expected rate of salary increase -1.0%	490,261	407,156	323,834	280,718
Expected rate of salary increase (base)	525,065	438,785	346,099	302,143
Expected rate of salary increase +1.0%	563,762	474,116	370,908	326,103
Turnover rate -20.0%	560,799	473,406	373,264	329,283
Turnover rate (base)	525,065	438,785	346,099	302,143
Turnover rate +20.0%	495,654	410,639	324,103	280,477

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	
	2017 Thousand Baht	2016 Thousand Baht	2017 Thousand Baht	2016 Thousand Baht
Maturity duration of the post-employment benefits (Years)	11 - 13	12 - 13	13	12
Maturity analysis of benefits expected to be paid				
Benefits expected to be paid within 12 months	63,221	37,258	56,115	31,207
Benefits expected to be paid between 1 and 2 years	37,212	57,515	28,855	34,808
Benefits expected to be paid between 2 and 5 years	137,577	109,806	81,354	78,838
Benefits expected to be paid in more than 5 years	1,429,636	1,032,963	984,940	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	
	2017 Thousand Baht	2016 Thousand Baht	2017 Thousand Baht	2016 Thousand Baht
Margin payables	461,102	41,800	461,102	41,800
Insurance premium payables	268,955	484,798	268,955	484,798
Dealer payables	672,317	765,098	672,317	765,098
Other refund payables to customers	10,651	11,286	10,651	11,286
Securities payables	1,160,617	65,017	1,160,617	60,039
Others	350,591	508,182	200,545	424,676
Total	2,924,233	1,876,181	2,774,187	1,787,697

27 Legal Execution Department payable

As at 31 December 2017 and 2016, 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	
	2017 Thousand Baht	2016 Thousand Baht	2017 Thousand Baht	2016 Thousand Baht
Accrued bonus	1,466,463	1,346,270	846,463	825,000
Accrued expenses	782,203	735,786	746,371	579,360
Front-end fees	255,442	248,337	267,845	261,227
Other income received in advance	1,778,991	1,908,668	1,866,498	2,004,228
Deposits	230,945	235,383	230,945	235,383
Suspense accounts cash received from customers	22,921	34,433	22,921	34,433
Value added tax payable	198,231	180,338	182,951	168,437
Others	78,032	83,799	37,555	33,843
Total other liabilities	4,813,228	4,773,014	4,201,549	4,141,911

29 Share capital

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.

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 2017 and 2016, the Bank's total capital funds can be categorised as follows;

	Consolidated		Separate	
	2017 Thousand Baht	2016 Thousand Baht	2017 Thousand Baht	2016 Thousand Baht
Tier 1 capital				
Common Equity Tier 1 (CET1)				
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	19,924,263	19,075,061	16,635,984	16,294,936
Other reserve and other provisions	861,613	289,332	369,211	292,309
Non-controlling interests	-	681	-	-
Capital deduction items on CET1	(5,685,961)	(5,465,668)	(5,474,418)	(5,238,512)
Total tier 1 capital	33,776,376	32,575,867	30,207,238	30,025,194
Tier 2 capital				
Subordinated debt	6,000,000	6,000,000	6,000,000	6,000,000
Allowance for classified assets of "normal" category	1,113,184	1,041,040	1,162,384	1,041,040
Other	-	64	-	-
Total tier 2 capital	7,113,184	7,041,104	7,162,384	7,041,040
Total capital fund	40,889,560	39,616,971	37,369,622	37,066,234



As at 31 December 2017 and 2016, 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	
	2017 (%)	2016 (%)	2017 (%)	2016 (%)
Common equity tier 1 capital to				
risk-weighted assets	14.61	15.59	13.30	15.01
Tier 1 capital to risk-weighted assets	14.61	15.59	13.30	15.01
Capital funds to risk-weighted assets	17.69	18.96	16.45	18.53

	Consolidated		Separate	
	2017 Thousand Baht	2016 Thousand Baht	2017 Thousand Baht	2016 Thousand Baht
Capital funds less capital add-ons				
Capital funds to risk-weighted assets	40,889,560	39,616,971	37,369,622	37,066,234
Rate of capital funds to risk-weighted assets	17.69	18.96	16.45	18.53

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
Date of disclosure : Within April 2018
Information as at : 31 December 2017

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 dividend 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 24 August 2017, the meeting of the Board of Directors of the Bank No. 8/2560 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 dividend was paid on 22 September 2017 amounting to Baht 1,693,416,618.

On 24 April 2017, the Annual General Meeting of the Bank's shareholders for the year 2017 approved the resolution regarding the payment of dividend for the year 2016 at the rate of Baht 6.00 per ordinary share, a part of which had been paid as interim dividend at the rate of Baht 2.00 per share on 23 September 2016, amounting to Baht 1,693,489,218 and the remaining amount was paid on 23 May 2017 at the rate of Baht 4.00 per share, amounting to Baht 3,386,964,836.

33 Other components of equity

Other components of equity for the for the year ended 31 December 2017 and 2016 are as follows;

	Consolidated				
	Attributable to owners of the components of the Components of equity parent				
	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	Translating Financial statements Thousand Baht	Surplus on business combination under common control Thousand Baht
Opening balances as at 1 January 2016	908,376	56,056	(33,847)	-	(24,403)
Total comprehensive income (expenses)	(64,421)	341,924	(66,937)	-	-
Closing balances as at 31 December 2016	843,955	397,980	(100,784)	-	(24,403)
Opening balances as at 1 January 2017	843,955	397,980	(100,784)	-	(24,403)
Total comprehensive income (expenses)	(125,477)	685,020	(134,870)	(9,803)	-
Closing balances as at 31 December 2017	718,478	1,083,000	(235,654)	(9,803)	(24,403)



	Separate		
	Other components of equity		
	Revaluation surplus (deficit) on investments in receivables Thousand Baht	Revaluation surplus (deficit) available-for-sale securities Thousand Baht	Deferred tax relating to components of other comprehensive income (expense) Thousand Baht
Opening balances as at 1 January 2016	111,551	266,688	(75,647)
Total comprehensive income (expenses)	5,732	137,663	(28,679)
Closing balances as at 31 December 2016	117,283	404,351	(104,326)
Opening balances as at 1 January 2017	117,283	404,351	(104,326)
Total comprehensive income (expenses)	7,514	70,529	(15,609)
Closing balances as at 31 December 2017	124,797	474,880	(119,935)

34 Assets with obligations and restrictions

As at 31 December 2017, there is no assets with obligations and restrictions which are the property foreclosed where the Group and the Bank grant an option to debtor for repurchasing. Additionally, the Group and the Bank have government and state enterprise securities with book value of Baht 599.85 million are used as collateral for other commitments with government departments and state enterprises (31 December 2016: Baht 575.88 million).

As at 31 December 2017, the Group and the Bank have investments in government securities which are pledged as collaterals for repurchase agreement with fair value of Baht 504.55 million. (31 December 2016: nil).

35 Commitments and contingent liabilities

	Consolidated		Separate	
	2017 Thousand Baht	2016 Thousand Baht	2017 Thousand Baht	2016 Thousand Baht
Aval to bills of exchange	859,926	79,709	859,926	79,709
Letters of credit	-	5,097	-	5,097
Other contingencies				
- Unused overdraft credit facilities	5,648,569	1,332,981	6,778,569	3,042,981
- Other guarantee	5,715,416	5,705,522	5,715,416	5,705,522
Total	12,223,911	7,123,309	13,353,911	8,833,309

As at 31 December 2017, the Group has other commitments in the form of various agreements relating to computer system and software development. The Group is obligated to pay a further Baht 292.93 million (There is no balance as at 31 December 2016).

36 Earnings per share

Earnings per share in the consolidated and the separate financial statements for the years ended 31 December 2017 and 2016 are calculated as follows;

	Consolidated					
	For the year ended 31 December					
	Profit for the years		Weighted average number of ordinary shares		Earnings per share	
	2017	2016	2017	2016	2017	2016
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Baht	Baht
Basic earnings per share						
Net profit available to ordinary shareholders	5,736,869	5,546,725	846,751	846,751	6.78	6.55

	Separate					
	For the year ended 31 December					
	Profit for the years		Weighted average number of ordinary shares		Earnings per share	
	2017	2016	2017	2016	2017	2016
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Baht	Baht
Basic earnings per share						
Net profit available to ordinary shareholders	5,076,298	5,421,502	846,751	846,751	6.00	6.40

There are no dilutive ordinary shares in issue for the year ended 31 December 2017 and 2016.



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 2017 and 2016 are as follows;

37.1 Investments in securities

The Bank had investments in debt instruments in companies which were ordered to discontinue their operations and defaulted their debts as at 31 December 2017 and 2016 as follows;

Consolidated and Separate					
2017					
	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	3	5.42	5.42	-
Unlisted company whose financial position and operating results are similar to the listed companies with meet criteria for delisting from the SET	Common stocks	1	1.19	-	1.19
		5	6.65	5.42	1.23

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

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				
2017				
	Numbers	Total debts Thousand Baht	Collateral Thousand Baht	Allowance for doubtful accounts Thousand Baht
Companies which are under default problem	137	6,191,843	10,975,199	1,650,522
	137	6,191,843	10,975,199	1,650,522
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



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 years ended 31 December 2017 and 2016.

38.1 Income

	Consolidated		Separate	
	2017 Million Baht	2016 Million Baht	2017 Million Baht	2016 Million Baht
Interest, dividend income and profit sharing				
Subsidiaries				
Phatra Capital PCL.	-	-	497	1,093
Phatra Securities PCL.	-	-	40	14
KKTRADE Securities Co., Ltd.	-	-	-	1
Erawan Law Office Co., Ltd.	-	-	-	53
CMIC Development Co., Ltd.	-	-	49	49
Asia Recovery 1 Fund	-	-	-	16
Asia Recovery 3 Fund	-	-	12	63
Thai Restructuring Fund	-	-	1	252
Bangkok Capital Fund	-	-	243	553
Gamma Capital Fund	-	-	276	573
Asia Recovery Property Fund 3	-	-	-	4
	-	-	1,118	2,671
Fees and services income				
Subsidiaries				
Phatra Capital PCL.	-	-	15	10
Phatra Securities PCL.	-	-	30	15
KKTRADE Securities Co., Ltd.	-	-	-	2
Phatra Asset Management Co., Ltd.	-	-	8	4
Asia Recovery 2 Fund	-	-	1	1
Asia Recovery 3 Fund	-	-	2	2
Thai Restructuring Fund	-	-	5	5
Bangkok Capital Fund	-	-	5	5
Gamma Capital Fund	-	-	6	6
Directors and management at the position of department head and above including their related persons who have control or significant influences	13	12	-	-
	13	12	72	50



	Consolidated		Separate	
	2017 Million Baht	2016 Million Baht	2017 Million Baht	2016 Million Baht
Other operating income				
Subsidiaries				
Phatra Securities PCL.	-	-	(40)	(3)
KKTRADE Securities Co., Ltd.	-	-	-	2
Thai Restructuring Fund	-	-	(3)	6
Bangkok Capital Fund	-	-	(3)	25
Gamma Capital Fund	-	-	(2)	21
Asia Recovery Property Fund 3	-	-	-	(17)
	<u>-</u>	<u>-</u>	<u>(48)</u>	<u>34</u>

38.2 Expenses

	Consolidated		Separate	
	2017 Million Baht	2016 Million Baht	2017 Million Baht	2016 Million Baht
Interest and discounts on borrowings				
Subsidiaries				
Phatra Securities PCL.	-	-	7	3
KKTRADE Securities Co., Ltd.	-	-	-	10
Directors and management at the position of department head and above including their related persons who have control or significant influences	<u>38</u>	<u>34</u>	<u>38</u>	<u>34</u>
	<u>38</u>	<u>34</u>	<u>45</u>	<u>47</u>
Other service expenses				
Subsidiaries				
Phatra Capital PCL.	-	-	153	115
Phatra Securities PCL.	-	-	36	38
CMIC Development Co., Ltd.	-	-	174	160
Other related parties	<u>67</u>	<u>68</u>	<u>67</u>	<u>68</u>
	<u>67</u>	<u>68</u>	<u>430</u>	<u>381</u>

The outstanding balance of significant related party transactions as at 31 December 2017 and 2016 are as follows;

38.3 Outstanding balances

	Consolidated		Separate	
	2017 Million Baht	2016 Million Baht	2017 Million Baht	2016 Million Baht
Loans to financial institutions / Loans				
Subsidiaries				
Phatra Capital PCL.	-	-	1,870	1,090
Phatra Securities PCL.	-	-	3,050	3,500
CMIC Development Co., Ltd.	-	-	960	975
<u>Less</u> Allowance of doubtful accounts	-	-	(49)	(46)
Directors and management at the position of department head and above including their related persons who have control or significant influences	-	1	-	1
	-	1	5,831	5,520
Accrued interest receivables				
Subsidiaries				
Phatra Capital PCL.	-	-	6	4
	-	-	6	4
Other accounts receivables				
Subsidiaries				
Phatra Capital PCL.	-	-	9	6
Phatra Securities PCL.	-	-	17	8
Phatra Asset Management Co., Ltd.	-	-	1	-
	-	-	27	14
Derivative assets				
Subsidiaries				
Phatra Securities Co., Ltd.	-	-	4	5
	-	-	4	5
Other assets				
Subsidiaries				
CMIC Development Co., Ltd.	-	-	50	47
Other related parties	-	-	1	-
	-	-	51	47



	Consolidated		Separate	
	2017	2016	2017	2016
	Million Baht	Million Baht	Million Baht	Million Baht
Deposits				
Subsidiaries				
Phatra Capital PCL.	-	-	3	6
Phatra Securities PCL.	-	-	22	11
Phatra Asset Management Co., Ltd.	-	-	9	-
Erawan Law Office Co., Ltd.	-	-	6	6
Bangkok Capital Fund	-	-	59	52
Gamma Capital Fund	-	-	229	197
CMIC Development Co., Ltd.	-	-	103	25
Directors and management at the position of department head and above including their related persons who have control or significant influences	464	577	464	577
	<u>464</u>	<u>577</u>	<u>895</u>	<u>874</u>
Borrowings				
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	648	603	648	603
	<u>648</u>	<u>603</u>	<u>648</u>	<u>603</u>
Derivatives liabilities				
Subsidiaries				
Phatra Securities PCL.	-	-	37	11
	<u>-</u>	<u>-</u>	<u>37</u>	<u>11</u>
Accrued interest expenses				
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	3	3	3	3
	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

	Consolidated		Separate	
	2017 Million Baht	2016 Million Baht	2017 Million Baht	2016 Million Baht
Other liabilities				
Subsidiaries				
Phatra Capital PCL	-	-	107	83
Phatra Securities PCL.	-	-	27	26
CMIC Development Co., Ltd.	-	-	7	7
Other related parties	3	4	3	4
	<u>3</u>	<u>4</u>	<u>144</u>	<u>120</u>

During the year ended 31 December 2017, the Bank sold an asset which had net book value of 1 Baht to a director at Baht 0.15 million (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 years ended 31 December 2017 and 2016, compensations paid to key management personnel are as follows;

	Consolidated		Separate	
	2017 Thousand Baht	2016 Thousand Baht	2017 Thousand Baht	2016 Thousand Baht
Short-term employee benefits	405,952	356,889	259,543	217,455
Post-employment benefits	5,592	6,964	4,271	4,535
Total	<u>411,544</u>	<u>363,853</u>	<u>263,814</u>	<u>221,990</u>



40 Operating lease commitments

As at 31 December 2017 and 2016, 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				
2017				
	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	1,064	255,106	679	226,849
Within the second year	936	76,953	59	77,948
Over three years	1,482	127,044	28	128,554
Total	3,482	429,103	766	433,351

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
Total	4,991	351,144	1,871	358,006

Separate			
2017			
	Office rental expenses Thousand Baht	Computer software expenses Thousand Baht	Total Thousand Baht
Within the first year	221,667	-	221,667
Within the second year	76,806	-	76,806
Over three years	126,958	-	126,958
Total	425,431	-	425,431

Separate			
2016			
	Office rental expenses Thousand Baht	Computer software expenses 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
Total	343,825	-	343,825

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 Kiattakin 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., Phatra Asset Management (Cayman) Limited, and Phatra Equity Market Neutral Asia Pacific Fund
- 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 2017 and 2016 are as follows;

	Consolidated			
	2017			
	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	10,333	(126)	421	10,628
Fees and services income, net	1,849	2,205	1	4,055
Other operating income, net	724	879	11	1,614
Total income from operating	12,906	2,958	433	16,297
Income between segments	1,274	194	-	1,468
Depreciation and amortisation	361	103	14	478
Other expenses	6,443	1,724	(67)	8,100
Total other operating expenses	6,804	1,827	(53)	8,578
Impairment loss of loans and debt securities (Reversal)	723	-	40	763
Profit from operating before income tax expenses	5,379	1,131	446	6,956
Income tax expenses	948	235	7	1,190
Net Income	4,431	896	439	5,766



	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
Net Income	2,921	1,027	1,663	5,611

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 2017	229,589	24,827	4,919	259,335
As at 31 December 2016	203,786	23,572	6,418	233,776

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 2017 and 2016 are as follows;

	Consolidated	
	2017 Million Baht	2016 Million Baht
Income		
Consolidated income from all segments	17,765	19,119
Elimination of inter-segment income	(1,468)	(2,963)
Total income	16,297	16,156
Profit		
Consolidated profit from all segments	6,956	6,490
Elimination of inter-segment profit	-	-
Profit from operating before income tax expenses	6,956	6,490

Reconciliation between consolidated assets from all segments and total assets as at 31 December 2017 and 2016 are as follows;

	Consolidated	
	2017 Million Baht	2016 Million Baht
Assets		
Consolidated assets from all segments	259,335	233,776
Elimination of inter-segment assets	-	-
Total assets	259,335	233,776

During the years ended 31 December 2017 and 2016, 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 mainly. Only Phatra Asset Management (Cayman) Limited and Phatra Equity Market Neutral Asia Pacific Fund operate in Cayman. However, the transactions from both entities are immaterial to the consolidated financial statement. 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					
	2017			2016		
	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht
Total assets	251,373,062	7,962,182	259,335,244	228,224,094	5,552,285	233,776,379
Interbank and money						
market items, net (Assets)	10,624,486	886,341	11,510,827	10,872,212	612,270	11,484,482
Investments	31,738,833	2,309,630	34,048,463	27,433,078	932,258	28,365,336
Loan to customer and accrued						
interest receivables, net	178,401,765	4,109,238	182,511,003	162,562,801	3,748,116	166,310,917
Deposits	132,878,106	-	132,878,106	109,922,919	-	109,922,919
Interbank and money						
market items (Liabilities)	8,289,723	-	8,289,723	8,359,651	-	8,359,651
Debt issued and borrowings	56,657,584	-	56,657,584	56,054,619	-	56,054,619

	Separate					
	2017			2016		
	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht
Total assets	239,992,349	5,095,644	245,087,993	216,241,614	4,070,813	220,312,427
Interbank and money						
market items, net (Assets)	12,001,559	869,034	12,870,593	13,056,211	222,714	13,278,925
Investments	19,691,297	-	19,691,297	15,044,934	-	15,044,934
Loan to customer and accrued						
interest receivables, net	181,219,326	4,109,239	185,328,565	164,620,709	3,748,116	168,368,825
Deposit	133,278,244	-	133,278,244	110,209,032	-	110,209,032
Interbank and money						
market items (Liabilities)	7,950,697	-	7,950,697	8,000,191	-	8,000,191
Debt issued and borrowings	51,923,796	-	51,923,796	52,946,967	-	52,946,967

42.2 Performance classified by type of transaction

	Consolidated					
	2017			2016		
	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht
Interest income	14,603,000	241,465	14,844,465	14,646,614	222,524	14,869,138
Interest expenses	4,213,615	2,412	4,216,027	4,436,088	-	4,436,088
Net interest income	10,389,385	239,053	10,628,438	10,210,526	222,524	10,433,050
Net fee and service income	3,782,356	272,780	4,055,136	3,405,753	300,796	3,706,549
Other operating income	2,243,149	(628,868)	1,614,281	1,858,844	157,099	2,015,943
Other operating expenses	9,334,739	6,858	9,341,597	9,663,307	2,224	9,665,531
Profit (loss) from continuing operation						
before income tax expenses	7,080,151	(123,893)	6,956,258	5,811,816	678,195	6,490,011

	Separate					
	2017			2016		
	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht
Interest income	14,271,986	240,116	14,512,102	13,888,025	221,391	14,109,416
Interest expenses	4,111,970	613	4,112,583	4,347,498	-	4,347,498
Net interest income	10,160,016	239,503	10,399,519	9,540,527	221,391	9,761,918
Net fee and service income	1,873,652	-	1,873,652	1,871,894	-	1,871,894
Other operating income	2,223,476	(645,318)	1,578,158	2,912,739	145,407	3,058,146
Other operating expenses	7,814,291	3,650	7,817,941	8,653,650	2,224	8,655,874
Profit (loss) from continuing operation						
before income tax expenses	6,442,853	(409,465)	6,033,388	5,671,510	364,574	6,036,084



43 Interest income

Interest income for the years ended 31 December 2017 and 2016 are as follows;

	Consolidated		Separate	
	2017 Thousand Baht	2016 Thousand Baht	2017 Thousand Baht	2016 Thousand Baht
Interbank and money market items	155,225	134,678	161,375	108,499
Investment in debt securities	377,951	403,441	319,925	337,147
Investment in receivables	479,900	984,850	73,409	206,274
Loans	5,023,234	4,418,502	5,149,146	4,529,829
Hire-purchase and financial leases	8,805,112	8,927,667	8,805,112	8,927,667
Others	3,043	-	3,135	-
Total interest income	14,844,465	14,869,138	14,512,102	14,109,416

44 Interest expenses

Interest expenses for the years ended 31 December 2017 and 2016 are as follows;

	Consolidated		Separate	
	2017 Thousand Baht	2016 Thousand Baht	2017 Thousand Baht	2016 Thousand Baht
Deposits	2,269,695	2,111,471	2,271,167	2,111,747
Interbank and money market items	117,620	89,103	108,813	94,431
Contributions to Financial Institution				
Development Fund and Deposit				
Protection Agency	753,977	725,771	753,977	725,771
Debt issued				
- Senior securities	683,400	1,164,317	683,400	1,164,317
- Subordinated bond	281,250	233,492	281,250	233,492
- Others	66,733	63,779	900	11,024
Fees and charges on borrowings	5,701	3,368	8,486	6,716
Others	37,651	44,787	4,590	-
Total interest expenses	4,216,027	4,436,088	4,112,583	4,347,498

45 Fees and services income, net

Fees and services income, net for the years ended 31 December 2017 and 2016 are as follows;

	Consolidated		Separate	
	2017 Thousand Baht	2016 Thousand Baht	2017 Thousand Baht	2016 Thousand Baht
Fees and services income				
- Brokerage fees	1,544,593	1,690,766	-	-
- Bancassurance fees	957,073	952,415	957,073	952,415
- Acceptance, avals and guarantees	71,947	80,881	71,947	80,881
- Others	1,874,503	1,450,234	959,574	965,441
Total fees and services income	4,448,116	4,174,296	1,988,594	1,998,737
Fees and services expenses				
- Security management fees	226,704	300,753	-	-
- Others	166,276	166,994	114,942	126,843
Total fees and services expenses	392,980	467,747	114,942	126,843
Fees and services income, net	4,055,136	3,706,549	1,873,652	1,871,894

46 Gain on trading and foreign exchange transactions, net

Gain on trading and foreign exchange transactions, net for the years ended 31 December 2017 and 2016 are as follows;

	Consolidated		Separate	
	2017 Thousand Baht	2016 Thousand Baht	2017 Thousand Baht	2016 Thousand Baht
Gain (loss) on trading and foreign exchange transactions				
- Foreign exchange	(70,968)	8,003	(31,238)	20,527
- Debt securities	56,269	24,650	53,499	20,845
- Equity securities	448,670	618,722	(115,104)	390,136
- Derivatives	(165,634)	(74,135)	243,851	(380,581)
Total	268,337	577,240	151,008	50,927



47 Gain (loss) on investments, net

Gain (loss) on investments, net for the years ended 31 December 2017 and 2016 are as follows;

	Consolidated		Separate	
	2017 Thousand Baht	2016 Thousand Baht	2017 Thousand Baht	2016 Thousand Baht
Gain (loss) on sale of				
- Available-for-sale investments	177,858	89,543	25,741	-
- General investments	(111)	(596)	77	(596)
- Investments in subsidiaries	-	114,480	8,615	34,927
Total	177,747	203,427	34,433	34,331
Reversal (loss) on impairment of				
- Available-for-sale investments	1,186	-	1,186	-
- General investments	(990)	(101)	(1,140)	(101)
- Investments in subsidiaries	-	-	(225,225)	(415,882)
Total	196	(101)	(225,179)	(415,983)
Total gain (loss) on investments, net	177,943	203,326	(190,746)	(381,652)

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 2017 and 2016 are as follows;

	Consolidated		Separate	
	2017 Thousand Baht	2016 Thousand Baht	2017 Thousand Baht	2016 Thousand Baht
Penalty income	288,560	315,771	288,560	315,675
Profit from sales of fixed assets	27,401	17,782	26,965	11,589
Other income	178,456	459,368	62,055	306,975
Total other operating income	494,417	792,921	377,580	634,239

49 Other expenses

Other expenses for the years ended 31 December 2017 and 2016 are as follows;

	Consolidated		Separate	
	2017 Thousand Baht	2016 Thousand Baht	2017 Thousand Baht	2016 Thousand Baht
Repossessed cars expenses	199,201	210,486	199,201	210,486
Properties foreclosed expenses	49,558	64,510	49,558	64,510
Transportation expenses	143,615	139,955	128,729	118,049
Advertising and promotion expenses	515,146	535,126	497,753	515,466
Management fee of Mutual funds	11,076	7,976	-	-
Other intangible assets expenses	123,923	95,452	104,038	73,811
Other expenses	695,026	715,479	507,152	599,657
Total other expenses	<u>1,737,545</u>	<u>1,768,984</u>	<u>1,486,431</u>	<u>1,581,979</u>

50 Impairment loss on loans and debt securities

Impairment loss on loans and debt securities for the years ended 31 December 2017 and 2016 are as follows;

	Consolidated		Separate	
	2017 Thousand Baht	2016 Thousand Baht	2017 Thousand Baht	2016 Thousand Baht
Interbank and money market items	14,850	(3,680)	10,351	17,320
Loans	1,676,782	3,292,430	1,684,582	3,288,305
Loss for restructuring	3,658	2,245	3,658	2,245
Loss on revaluation and impairment of investments in receivables	49,704	25,814	40,966	26,743
Gain from transferring investments in receivables to loans	-	(486)	-	(486)
	<u>1,744,994</u>	<u>3,316,323</u>	<u>1,739,557</u>	<u>3,334,127</u>
Less Bad debts recovered from loans and hire purchase receivables	(977,496)	(980,135)	(977,496)	(980,135)
Bad debts recovered from investments in receivables	(4,274)	(23,067)	(4,274)	(23,067)
Total	<u>763,224</u>	<u>2,313,121</u>	<u>757,787</u>	<u>2,330,925</u>



51 Income tax expenses

Income tax expenses for the years ended 31 December 2017 and 2016 are as follows;

	Consolidated		Separate	
	2017 Thousand Baht	2016 Thousand Baht	2017 Thousand Baht	2016 Thousand Baht
Current income tax for the period	1,240,681	1,252,904	998,640	935,907
Adjustment in respect of current income tax of previous period	(7,928)	(8,915)	(5,349)	(8,435)
Deferred tax	(42,548)	(365,093)	(36,201)	(312,890)
Total income tax expenses	<u>1,190,205</u>	<u>878,896</u>	<u>957,090</u>	<u>614,582</u>

Reconciliation of effective tax rate for the years ended 31 December 2017 and 2016 are as follows;

	Consolidated	
	2017 Thousand Baht	2016 Thousand Baht
Profit before income tax expenses	6,956,258	6,490,011
Tax calculated at a tax rate of 20%	1,391,252	1,298,002
Adjustment in respect of current income tax of previous period	(7,928)	(8,915)
Income not subjected to tax	(229,448)	(494,487)
Expenses not deductible for tax purpose	36,329	84,296
Income tax expenses as statements of profit or loss and other comprehensive income	<u>1,190,205</u>	<u>878,896</u>

	Separate	
	2017 Thousand Baht	2016 Thousand Baht
Profit before income tax expenses	6,033,388	6,036,084
Tax calculated at a tax rate of 20%	1,206,678	1,207,217
Adjustment in respect of current income tax of previous period	(5,349)	(8,435)
Income not subjected to tax	(267,630)	(647,406)
Expenses not deductible for tax purpose	23,391	63,206
Income tax expenses as statements of profit or loss and other comprehensive income	<u>957,090</u>	<u>614,582</u>

The weighted average income tax rate for the year ended 31 December 2017 was 17.11 % and 15.86 % in the consolidated and the separate financial statements respectively (2016: 13.54% and 10.18% respectively).

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 2017 and 2016 are as follows;

	Consolidated					
	2017			2016		
	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	(128,260)	(1,503)	(129,763)	(74,019)	(1,146)	(75,165)
Gain (loss) on remeasuring available-for-sale securities	685,108	(133,360)	551,748	341,924	(65,793)	276,131
Gain (loss) on currency translation differences	(9,805)	-	(9,805)	-	-	-
Remeasurments of post-employment benefit obligations	(46,479)	9,296	(37,183)	313	(1,153)	(840)
Other comprehensive income (loss)	500,564	(125,567)	374,997	268,218	(68,092)	200,126

	Separate					
	2017			2016		
	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	7,514	(1,503)	6,011	5,732	(1,146)	4,586
Gain (loss) on remeasuring available-for-sale securities	70,529	(14,106)	56,423	137,663	(27,533)	110,130
Remeasurments of post-employment benefit obligations	(16,203)	3,241	(12,962)	-	-	-
Other comprehensive income (loss)	61,840	(12,368)	49,472	143,395	(28,679)	114,716



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;

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. The quoted market prices used for financial assets held by the Group are the last bid prices from the Stock Exchange of Thailand, the closing price from the Stock Exchange in overseas and settlement prices from Futures Exchange. These instruments are included in level 1.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (over-the-counter) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

(c) Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table presents the financial assets and liabilities that are measured at fair value at 31 December 2017 and 2016.

	Consolidated				
	2017				
	Carrying amount Thousand Baht	Fair value			
		Level 1 Thousand Baht	Level 2 Thousand Baht	Level 3 Thousand Baht	Total Thousand Baht
Assets					
Derivatives assets	3,373,938	-	3,373,938	-	3,373,938
Trading securities and securities designated at fair value through profit or loss					
Government and state enterprise securities	1,472,286	-	1,472,286	-	1,472,286
Private sector's debt securities	888,591	-	888,591	-	888,591
Domestic marketable equity securities	13,708,161	13,708,161	-	-	13,708,161
Available-for-sale securities					
Government and state enterprise securities	10,178,640	-	10,178,640	-	10,178,640
Domestic marketable equity securities	4,249,131	4,249,131	-	-	4,249,131
Foreign marketable equity security	2,309,630	2,309,630	-	-	2,309,630
Investments in receivables, net	2,170,438	-	-	2,170,438	2,170,438
Total assets	38,350,815	20,266,922	15,913,455	2,170,438	38,350,815
Liabilities					
Derivatives liabilities	4,303,925	-	4,303,925	-	4,303,925
Total liabilities	4,303,925	-	4,303,925	-	4,303,925
	Consolidated				
	2016				
	Carrying amount Thousand Baht	Fair value			
		Level 1 Thousand Baht	Level 2 Thousand Baht	Level 3 Thousand Baht	Total Thousand Baht
Assets					
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
Total assets	31,154,259	17,142,385	11,458,088	2,553,786	31,154,259
Liabilities					
Derivatives liabilities	2,499,389	-	2,499,389	-	2,499,389
Total liabilities	2,499,389	-	2,499,389	-	2,499,389



	Separate				
	2017				
	Fair value				
Carrying amount	Level 1	Level 2	Level 3	Total	
Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	
Assets					
Derivatives assets	3,316,528	-	3,316,528	-	3,316,528
Trading securities and securities designated at fair value through profit or loss					
Government and state enterprise securities	1,472,286	-	1,472,286	-	1,472,286
Private sector's debt securities	888,591	-	888,591	-	888,591
Domestic marketable equity ecurities	2,991,104	2,991,104	-	-	2,991,104
Available-for-sale securities					
Government and state enterprise securities	10,178,640	-	10,178,640	-	10,178,640
Domestic marketable equity securities	3,128,424	3,128,424	-	-	3,128,424
Investments in receivables, net	771,663	-	-	771,663	771,663
Total assets	22,747,236	6,119,528	15,856,045	771,663	22,747,236
Liabilities					
Derivatives liabilities	3,241,968	-	3,241,968	-	3,241,968
Total liabilities	3,241,968	-	3,241,968	-	3,241,968
Separate					
2016					
Fair value					
Carrying amount	Level 1	Level 2	Level 3	Total	
Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	
Assets					
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
Total assets	16,157,849	3,937,249	11,390,871	829,729	16,157,849
Liabilities					
Derivatives liabilities	1,897,126	-	1,897,126	-	1,897,126
Total liabilities	1,897,126	-	1,897,126	-	1,897,126

There was no transfers between Levels 1 and 2 during the year.

The following table presents the financial assets and liabilities that are not measured at fair value at 31 December 2017 and 2016.

	Consolidated				
	2017				
	Carrying amount Thousand Baht	Fair value			Total Thousand Baht
		Level 1 Thousand Baht	Level 2 Thousand Baht	Level 3 Thousand Baht	
Assets					
Interbank and money market items, net	11,510,827	11,510,827	-	-	11,510,827
Loans to customers and accrued interest					
receivables, net	182,511,003	-	181,810,406	-	181,810,406
Held-to-maturity securities	1,217,919	-	1,288,933	-	1,288,933
General investments	24,105	-	-	232,183	232,183
Accounts receivable from clearing house					
and broker - dealers	3,992,555	-	3,992,555	-	3,992,555
Securities and derivative business receivables	4,741,374	-	4,741,374	-	4,741,374
Total assets	203,997,783	11,510,827	191,833,268	232,183	203,576,278
Liabilities					
Deposits	132,878,106	-	104,588,591	-	104,588,591
Interbank and money market items, net	8,289,723	8,289,723	-	-	8,289,723
Liabilities payable on demands	557,819	-	557,819	-	557,819
Debt issued and borrowings	56,657,584	-	56,827,103	-	56,827,103
Accounts payable to clearing house					
and broker - dealers	422,323	-	422,323	-	422,323
Securities and derivative business					
payables	4,514,754	-	4,514,754	-	4,514,754
Accrued interest payable	499,498	-	499,498	-	499,498
Total liabilities	203,819,807	8,289,723	167,410,088	-	175,699,811



	Consolidated				
	2016				
	Carrying amount Thousand Baht	Fair value			Total Thousand Baht
		Level 1 Thousand Baht	Level 2 Thousand Baht	Level 3 Thousand Baht	
Assets					
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
Accounts receivable from clearing house					
and broker - dealers	629,469	-	629,469	-	629,469
Securities and derivative business receivables	7,602,021	-	7,602,021	-	7,602,021
Total assets	187,145,097	11,484,482	175,632,012	228,787	187,345,281
Liabilities					
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					
and broker - dealers	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
Total liabilities	182,307,571	8,359,651	168,928,832	-	177,288,483

	Separate				
	2017				
		Fair value			
Carrying amount	Level 1	Level 2	Level 3	Total	
Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	
Assets					
Interbank and money market items, net	12,870,593	12,870,593	-	-	12,870,593
Loans to customers and accrued interest					
receivables, net	185,328,565	-	184,627,968	-	184,627,968
Held-to-maturity securities	1,003,406	-	1,074,420	-	1,074,420
General investments	28,846	-	-	221,974	221,974
Total assets	199,231,410	12,870,593	185,702,388	221,974	198,794,955
Liabilities					
Deposits	133,278,244	-	105,042,562	-	105,042,562
Interbank and money market items, net	7,950,697	7,950,697	-	-	7,950,697
Liabilities payable on demands	557,819	-	557,819	-	557,819
Debt issued and borrowings	51,923,796	-	52,093,315	-	52,093,315
Accrued interest payable	498,932	-	498,932	-	498,932
Total liabilities	194,209,488	7,950,697	158,192,628	-	166,143,325

	Separate				
	2016				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Assets					
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 investments	29,000	-	-	218,578	218,578
Total assets	182,680,935	13,278,925	169,368,666	218,578	182,866,169
Liabilities					
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
Total liabilities	171,858,129	8,000,191	159,006,708	-	167,006,899

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 and broker-dealers, securities and derivative business receivables saving deposits and current deposits, liabilities payable on demand, account payable to cleaning house and broker-dealers 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.

Fair value of the following assets and liabilities is estimated for the purpose of disclosure as described below;

Debt issued and borrowings

The fair value of debt issued and borrowings is estimated by using market prices or yields of the Thai Bond Association at the statement of financial positions. In case of there is no active market price or borrowing portion of structured notes, the fair value is estimated by using present value of cash flows discounted by interest rate which reflects the Banks credit risk.

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 of government securities and private's sector debt securities is estimated by using the average bidding yields and mark-to-market yield of the Thai Bond Association at the statement of financial positions, respectively.

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 of;

- 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 the average bidding yields or mark-to-market yield of the Thai Bond Market Association under discounted cash flow model.

Level 2 investments in mutual funds are fair valued based on unit prices published by asset management companies.



53.3 Fair value measurements using significant unobservable inputs (Level 3)

	Investments in receivables, net			
	Consolidated		Separate	
	2017 Thousand Baht	2016 Thousand Baht	2017 Thousand Baht	2016 Thousand Baht
Opening balance	2,553,786	2,898,694	829,729	901,876
Transfer out or repayment	(211,008)	(294,557)	(30,237)	(100,619)
Gain (loss) recognised in profit and loss	(44,080)	23,668	(35,343)	22,740
Gain (loss) recognised in other comprehensive income	(128,260)	(74,019)	7,514	5,732
Closing balance	2,170,438	2,553,786	771,663	829,729

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	
	2017 Thousand Baht	2016 Thousand Baht	2017 Thousand Baht	2016 Thousand Baht
Discount rate increased 1%	(54)	(57)	(17)	(20)
Discount rate decreased 1%	58	55	19	19

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 22 February 2018, the Board of directors Meeting of the Bank No.2/2018 approved the resolution regarding the payment of dividend for the year of 2017 at the rate of Baht 5 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 21 May 2018 at the rate of Baht 3 per share.

