

## This image is a dense, repeating pattern of traditional Indian folk art illustrations. The design features stylized human figures in various poses, including dancing and playing musical instruments. Other elements include a boat on water, a large tree, a palm tree, a sun, clouds, birds, and a small hut. The color palette is rich with reds, yellows, greens, and blues, set against a white background.



# Contents



<b>04</b>	Milestone	<b>155</b>	Personnel
<b>06</b>	Awards and Ranking	<b>161</b>	Corporate Governance Policy and Practices
<b>08</b>	Financial Highlights	<b>187</b>	Supervision of Subsidiaries and Affiliates
<b>10</b>	Message from the Board of Directors	<b>188</b>	Supervision of Usage of Internal Information
<b>15</b>	Vision and Mission	<b>189</b>	Auditor's Remuneration
<b>16</b>	Policy and Business Overview	<b>190</b>	Internal Controls
<b>33</b>	Business Operations	<b>197</b>	Related Party Transactions
<b>63</b>	Risk Factors	<b>201</b>	Report of the Board of Director's Responsibility for Financial Statements
<b>72</b>	General Information	<b>202</b>	Report of the Audit Committee
<b>76</b>	Securities and Shareholders Information	<b>204</b>	Report of the Nomination and Remuneration Committee
<b>82</b>	Dividend Policy	<b>206</b>	Report of the Compliance and Governance Committee
<b>83</b>	Organization Structure	<b>208</b>	Report of the Risk Management Committee
<b>84</b>	Management Structure	<b>209</b>	Report of the Executive Committee
<b>98</b>	Nomination and Appointment of Directors and Executives	<b>211</b>	Management Discussion and Analysis
<b>100</b>	Remuneration of Directors and Executives	<b>223</b>	Credit Rating
<b>108</b>	Profiles of the Directors, Executives, Controlling Persons and Corporate Secretary	<b>224</b>	Independent Auditor's Report
<b>152</b>	Directorship of Directors and Executives in Subsidiaries, Associated Companies and Related Companies	<b>231</b>	Financial Statements
<b>154</b>	Directors of Subsidiaries	<b>240</b>	Notes to the Financial Statements

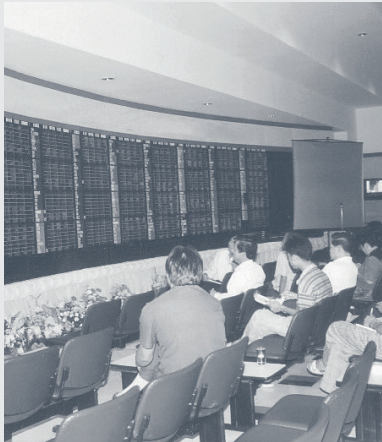
Please see Corporate Social Responsibility Report 2018.



Renewable electricity from Hydropower

# Milestone

## Kiatnakin Phatra Financial Group



**1971**

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



**1972**

Phatra Thanakit Finance and Securities Public Company Limited was founded.



**1993**

Kiatnakin Finance and Securities Company Limited went public.



**1997**

- Kiatnakin Finance and Securities Public Company Limited along with other 57 financial institutions were temporarily discontinued because of the 1997 Asian Financial Crisis.
- Phatra Securities Company Limited was founded to separate Phatra Thanakit Finance and Securities Public Company Limited's finance and securities businesses.



**1998**

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



1999



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

2005

- Kiatnakin Finance Public Company Limited became 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 - 2013

Kiatnakin Bank Public Company Limited and Phatra Capital Public Company Limited announced the completion of a merger to form **Kiatnakin Phatra Financial Group** on September 13, 2012. The merger aims to combine both organizations' expertise to attain excellence in financial service for the benefit of all customers, employees, shareholders, as well as to contribute to the development of the country's financial market and overall economy

1 August 2013 Kiatnakin Phatra Financial Group by Kiatnakin Bank Public Company Limited officially changed its stock trading ticker to **KKP**.





## Awards and Ranking



### “A-”

Rated ‘A-’ with ‘Stable’ outlook by TRIS Rating Co.,Ltd.

### Best Commercial Bank Thailand 2018

Received the ‘Best Commercial Bank Thailand 2018’ award from The International Banker 2018 Asia Awards for continued excellence in management, performance, and development of product and service channels which correspond with clients’ demands. This award was organized by The International Banker magazine.

### Power Deal of the Year Award

Received ‘Power Deal of the Year Award’ together with three other commercial banks, as the arranger in a syndicated loan deal for Top SPP Co.,Ltd. at The Asset Triple A Asia Infrastructure Awards 2018, organized by The Asset, Southeast Asia’s leading financial market and investment magazine

### SMEs Excellence Awards 2018 (Platinum and Gold Award)

Received ‘Platinum Award and Gold Award’ for remarkable promotion of sustainable growth for clients’ businesses from the SMEs Excellence Awards 2018, organized by the Thailand Management Association

### “Excellent” Rating in Governance Survey 2018

Rated ‘Excellent’ in cooperate governance scoring in the Annual Corporate Governance Survey for 2018 (CGR), organized by Thai Institute of Directors Association (Thai IOD)

### Thailand Sustainability Investment 2018

Listed by the SET for the fourth consecutive year as one of the 79 companies chosen as ‘Thailand Sustainability Investment 2018’ for the bank’s commitment to promote stockholders’ confidence by creating a sustainable organization under policies which prioritize environmental and social impact, and good governance (ESG)

### ESG100 Listing

Listed as a ESG100 company by Thaipat Institute’s ESG Rating Unit for the fourth consecutive year for outstanding performance in promoting sustainable growth under ESG criteria

### Pilot Company of Financial Discipline Creation Campaign Award

One of 18 pilot enterprises and the only financial institution to be awarded in the Financial Discipline Creation Campaign, organized by six organizations the Ministry of Social Development and Human Security, The Federation of Business and Professional Women of Thailand under the Royal Patronage of Her Majesty the Queen (BPW Thailand), The Stock Exchange of Thailand, Thai Chamber of Commerce, The Thai Bankers Association, and National Council for Child and Youth Development under the Royal Patronage of Her Royal Highness Princess Mahachakri Sirindhorn





#### **Best Broker Award in Thailand 2018**

Received the Best Broker Award in Thailand for the sixth year for outstanding performance and leadership in securities and derivatives brokerage service at the Country Awards for Achievement 2018, organized by FinanceAsia, the leading finance magazine in Asia

#### **Best Investment in Thailand 2018 Award (the sixth year) Best M&A House in Thailand 2018 Award (the third year) Best Private Wealth Management 2018 Award (the fourth year)**

Received awards for being the leading investment banking business, an outstanding financial advisor, and an organization which offers services which answers clients' needs at the 12<sup>th</sup> Annual Financial Institution Awards, organized by Alpha Southeast Asia

#### **Best Structured Products House Thailand 2018**

Received an award for the company's internationally recognized ability to provide sophisticated investment services and products for various market conditions from The Asset Triple A Private Banking Wealth Management, Investment, and ETF Awards 2018, organized by The Asset, Southeast Asia's leading financial market and investment magazine

#### **SET Awards 2018 - Outstanding Securities Company Awards**

Received the Outstanding Securities Company Awards, an award which uses both qualitative and quantitative information for its evaluation process, for the company's outstanding performance in securities brokerage service and comprehensive analysis at the SET Awards 2018, jointly organized by the Stock Exchange of Thailand and Money and Banking Magazine

#### **SET Awards 2018 - Award for Outstanding Financial Transactions in Capital Markets (Deal of the Year Awards)**

Received an award for outstanding financial transactions in the capital markets (Deal of the Year Awards) for its role as financial advisor in the conversion of property mutual fund for TICON Industrial Connection Public Company Limited Group by using TICON Freehold and Leasehold Real Estate Investment Trust (TREIT) to support the conversion at the SET Awards 2018, organized by the Stock Exchange of Thailand and Money and Banking Magazine

#### **Fund House Awards Domestic Equity 2018**

Received Best Fund House Awards Domestic Equity 2018 awards for the company's stability in return generation, long-term investment risk and equality in fund management, from Morningstar Thailand Fund Award 2018, organized by the Stock Exchange of Thailand, Association of Investment Management Company (AIMC) and Morningstar (Thailand) Company Limited.

#### **Best Mutual Fund of the Year 2018**

Received the Best Mutual Fund of the Year 2018 award in Retirement Mutual Fund Group (RMF Equity) for the company's outstanding performance throughout the year, announced by Money and Banking Magazine.



# Financial Highlight

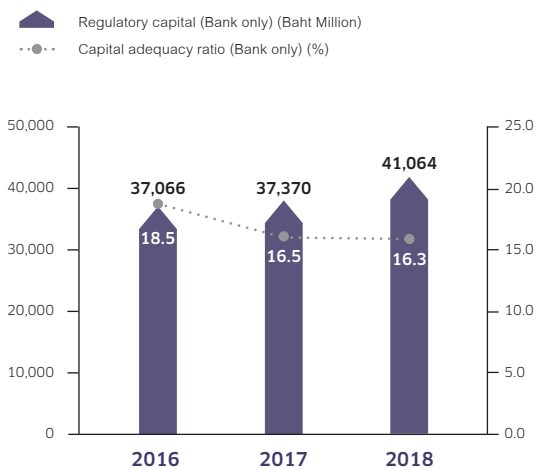
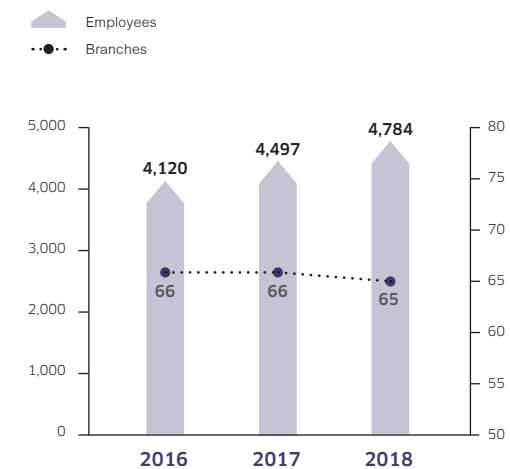
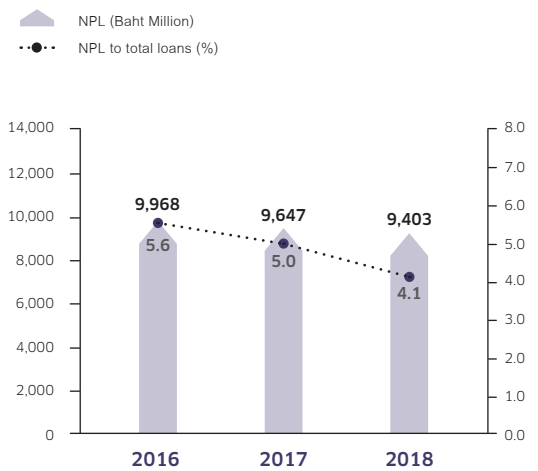
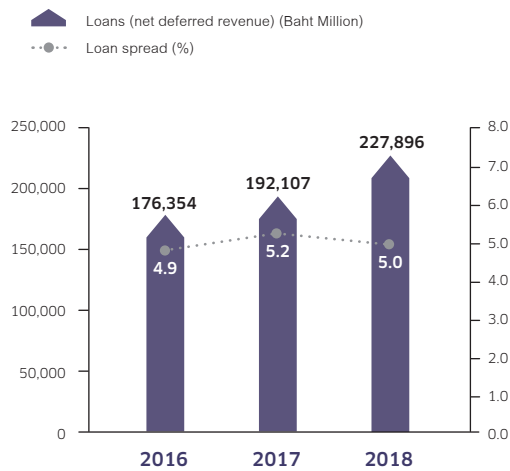
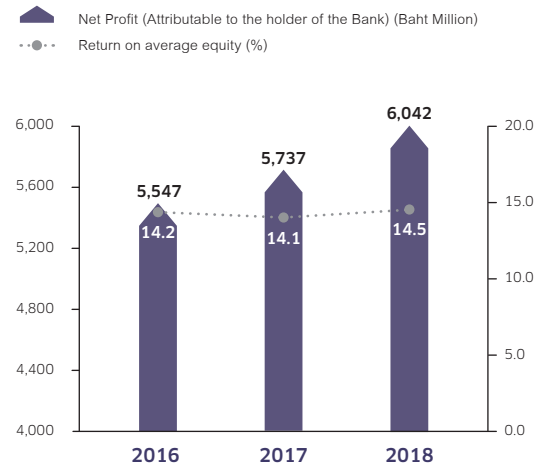
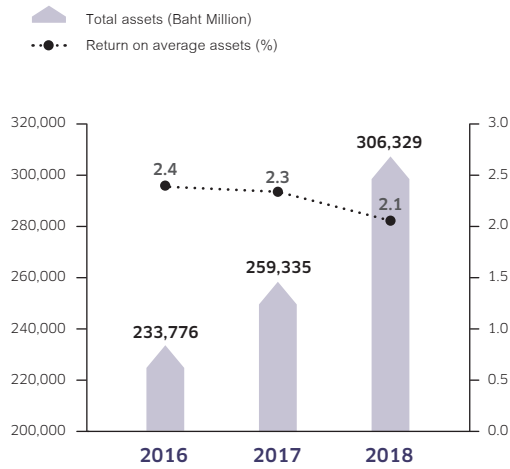
## The Consolidated Financial Statements

(Baht Million)

Financial Position	2016	2017	2018
Investment in receivables (net)	2,554	2,170	1,770
Loans (net deferred revenue)	176,354	192,107	227,896
Allowance for doubtful accounts & troubled debt restructuring	(10,966)	(10,576)	(10,760)
Total assets	233,776	259,335	306,329
Deposits	109,923	132,878	181,694
Debt issued and borrowings	56,055	56,658	49,008
Total liabilities	193,259	217,787	263,989
Total equity of the Bank	40,298	41,332	42,180
<b>Comprehensive Income</b>			
Net interest income	10,433	10,628	11,262
Fees and services income (net)	3,707	4,055	4,579
Gain from sale of foreclosed assets	545	(209)	(238)
Total operating income	16,156	16,298	18,103
Total operating expenses	7,352	8,578	9,470
Impairment loss of loans and debt securities	2,313	763	1,245
Profit from operating before income tax expenses	6,490	6,956	7,387
Net profit (attributable to equity holder of the Bank)	5,547	5,737	6,042
<b>Financial Ratio</b>			
Return on average equity	14.2	14.1	14.5
Return on average assets	2.4	2.3	2.1
Loan spread	4.9	5.2	5.0
Loan to deposit and borrowing	106.3	101.8	99.1
NPL to total loans	5.6	5.0	4.1
Loan loss reserve to NPL	110.1	109.8	114.8
Cost to income ratio	45.4	48.2	47.8
Capital adequacy ratio (Bank only)	18.5	16.5	16.3
<b>Branches and Employees</b>			
Branches	66	66	65
Employees	4,120	4,497	4,784
<b>KKP Share Information</b>			
Share price - High (Baht)	60.8	79.8	85.0
- Low (Baht)	34.8	53.5	65.3
- Close (Baht)	59.0	79.3	66.3
- Average (Baht)	50.0	69.1	74.0
No. of share outstanding ('000 shares)	846,751	846,751	846,751
Market Capitalization (Baht million)	49,958	67,105	56,097
EPS - Basic (Baht)	6.6	6.8	7.1
- Diluted (Baht)	6.6	6.8	7.1
PE ratio (time)	9.0	11.7	9.3
PBV ratio (time)	1.2	1.6	1.3
Book Value per share (Baht)	47.6	48.8	49.8
Dividend per share (Baht)*	6.0	5.0	5.0
Dividend payout (%)	91.6	73.8	70.1
Dividend yield (%)	10.2	6.3	7.5
<b>Credit Ratings by TRIS Rating Co., Ltd.</b>			
Company rating	A-	A-	A-
Rating Outlook	Stable	Stable	Positive

\* Dividend payment for the year 2018 at the rate of Baht 5.00 per ordinary share, the interim dividend of Baht 2.00 per ordinary share was paid on September 21, 2018, while the remaining Baht 3.00 per ordinary share will be proposed to the meeting of the ordinary shareholders on April 23, 2019







## Message from the Board of Directors



The overall economic situation in Thailand in 2018, including the deteriorating and highly volatile financial and capital markets caused by external factors, has gradually and adversely affected businesses. Yet, Thailand was able to fairly react to such situations and changes due to its sound financial stability. Compared with the previous year, Thailand's economy in 2018 was still able to grow by 4.1%

The overall market capitalization of the Stock Exchange of Thailand ("SET") and the Market for Alternative Investment ("mai") at the end of 2018 was valued at Baht 16.2 trillion, down 9.5% from the end of 2017. The average daily securities trading value of the SET and mai in 2018 equaled Baht 57,674 million, an increase of 15.1% from 2017. The SET index at the end of 2018 closed at 1,563.88 points, down 10.8% from 1,753.71 points at the end of 2017.

In 2018, the finance and banking industry saw several developments, such as the waiver of financial transaction fees, the sharp increase of online transactions, the rise in technology investment of all commercial banks to maintain their status while urgently reducing the cost of their branch networks



and ATMs, etc. In addition, Thailand saw rapid and constant improvements in the fundamental structure of electronic transactions in terms of the Electronic Know-your-Customer (e-KYC) process, the National Digital Identification (NDID) and big data.

The above-mentioned economic situation and changes in the finance and banking industry have had both positive and negative impacts on Kiatnakin Phatra Financial Group ("the Group"). The performance of each business type was diverse, for instance, the investment banking business and the equity and derivatives trading business generated outstanding profits. The securities brokerage business, the asset management business and the special asset management business generated good profits although the market environment was not in favor of those businesses. Meanwhile, medium and long-term investment using directional trading strategy was inevitably affected by the fluctuation of the global economy. This led to the Group's moderate and under-expected result of operation in 2018 with net profit and total comprehensive income of Baht 6,042.0 million and Baht 5,123.2 million respectively, which increased by 5.3% and decreased by 16.2% from that in 2017 respectively. The Group's return on





average asset (ROAA) was at 2.1%, compared with 2.3% in 2017, whereas the return on average equity (ROAE) equaled 14.5%, up from 14.1% in 2017.

In terms of the commercial banking business, the Bank's loan portfolio in 2018 grew at the highest rate in the industry at 18.5%, up from 9.3% in 2017, due to the Bank's loan growth in almost all loan products. The growth of corporate lending, commercial lending and Lombard loans was recorded at 51.0%, 26.0% and 26.7% respectively. Meanwhile, the growth of retail lending comprising auto hire purchase loans, personal loans, housing loans and micro SME loans was at 11.5%. For asset quality, the non-performing loan ("NPL") to total loan ratio was at 4.1% at the end of 2018, improving from 5.0% at the end of 2017.

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 2018 at 4.6%, ranking seventh among thirty-eight brokerages. The assets of high-net-worth individuals under advisory at the end of 2018 totaled approximately Baht 475 billion, up from approximately Baht 452 billion at the end of 2017. In 2018, PTSEC was appointed as financial advisor and underwriter of the Thailand Future Fund and securities of several large companies. In the meantime, Phatra Asset Management Company Limited ("PASSET"), which is another company in the Group operating mutual fund and private fund businesses, had assets under its management at the end of 2018 totaling approximately Baht 92 billion, rising from 2017 by 4.0%.

In addition to the above-mentioned financial results, during 2018 the Group had launched

significant innovations and developments in products and services for its competitive efficiency and sustainable growth. These include the KK Virtual Branch; KK Magic Mirror; KK e-Banking mobile application to facilitate buying, selling and switching mutual funds via mobile phone; Banking as a Service allowing companies or outsiders to connect in order to conduct financial transactions via their own system; new types of more sophisticated structured notes such as Rainbow ELN and Autocallable Fixed Coupon Note offering better benefits for investors; basic account to respond to the policy of the Bank of Thailand and the Thai Bankers' Association which aims for Thais to have better access to financial services to improve their standard of living; family advisory services to respond to clients' need in transferring wealth to their successors; etc.

In terms of information technology, the Group recognizes the importance of stability and growth in its business operation, therefore, it has invested in several key IT projects, including a new core banking project with the objective to revamp the key processes of core banking, upgrade IT infrastructure, develop banking services to offer equal or better services than those of other banks of the same class, and enable the Bank to offer products and services which meet the market's needs and increase its competitive advantage. This transformation has led to a big change in its IT architecture, structure stability and capability and paved its way in the digital banking era.

For risk management, as a consequence of the economic situation as mentioned above, last year the Group has improved its risk management





practices in a range of areas, such as Bureau Score for personal loans, housing loans and SME product program loans; risk models for auto hire purchase loans; risk grade for personal loan collection and auto hire purchase loan collection via telephone; portfolio scrubs for risk management and loan restructuring plan in case debtors have increasing significant risk; Net Stable Funding Ratio (NSFR) according to Basel III for liquidity risk management; etc.

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 Policy. During 2018, the Board of Directors approved the revision of such policy on various topics, for example, board structure; rules, duties and responsibilities of the Board of Directors; term of directorship; board meeting; board performance evaluation; directorship in other companies of directors; channels for whistleblowers; role, practice and responsibilities of the Bank towards clients, community, society and environment; etc. Moreover, the roles, duties and responsibilities of sub-committees under the Board of Directors' supervision have been amended in many aspects, including the oversight of Group companies to ensure their operations are in accordance with the Group's direction, strategies and main goals; follow good and efficient risk management and comply with laws, regulations and relevant policies. With this great commitment to elevating good corporate governance practices, the Bank has achieved several governance honors and awards including an "Excellent" rating from the annual corporate governance survey in the year 2018 from

the Thai Institute of Directors Association ("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. In 2018, the Bank and the Group companies in the capital market business, in conjunction with Thailand's Private Sector Collective Action Coalition Against Corruption ("CAC"), have announced the No Gift Policy, which is consistent with the Group's continuous practices on anti-corruption. Moreover, the Bank has cooperated with the Thai Bankers' Association to declare the No Gift Policy to confirm its intention against corruption in any form and support transparency and good corporate governance in its business operation. Additionally, PASSET has been re-certified as a full member of the CAC in 2018, following the Bank and other companies in the capital market business which have been re-certified since 2017.

Furthermore, the Group realizes the importance of its responsibility to the society, community and 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 2018 and the Bank has been selected by THAI PAT's ESG Rating Unit as one of the 100 listed companies on the list of ESG100 in the year 2018 for outstanding sustainability performance in environmental, social and governance aspects for the fourth consecutive year.

For the year 2019, the challenges facing the Group's business operation are the direction of the global economy and trade, the political situation, the health of the domestic economy, tourism,



export, price trends for agricultural products, household debt, NPLs, inflation, Baht value, 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 focus on improving its personnel and information technology, generating innovations and know-how as well as embracing

adaptability in this fast-moving environment. Also, 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 and create sustainable growth.

The Group's operation benefits from the support and cooperation of all parties including shareholders, clients, business partners, 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



## **Vision**

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

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## **Mission**

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



# 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 business 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 the commercial banking business operated by the Bank and the capital market business operated by Group companies, which consists of PHATRA, PTSEC, KKTRADE Securities Company Limited (“KKTRADE”) (previously known as Kiatnakin Securities Company Limited-KKS) and 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 business. The company was listed on the Stock Exchange of Thailand (“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 and it also experienced several national economic crises, especially the economic crisis in 1997 in which the company was one of the fifty-seven financial institutions which were forced to temporarily

discontinue operation. However with its perseverance, commitment and support from its strong alliance 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 become “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 the policy of separating the finance and securities business of Phatra Thanakit Finance and Securities Public Company Limited, set up in 1972, in order to carry on the securities business. PTSEC’s main businesses consist of the securities and derivatives brokerage business for local and foreign institutional clients in which PTSEC has Bank of America Merrill Lynch (“Merrill Lynch”) as its exclusive business partner and for high-net-worth individuals in which PTSEC operates the private wealth management business covering several asset classes and focusing on asset allocation, the investment banking business and the 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 a total of Baht 63 million was settled in exchange for 4.8 million shares of KKF. There was a record of goodwill totaling Baht 19 million from this transaction. Therefore, the Bank held 99.99% shares in KKF. Thereafter, the Bank transferred shares in KKF and KKS to PHATRA on December 28, 2012 and January 2, 2013





respectively in accordance with the merger plan. Consequently, the Bank holds 99.96% shares in KKS and KKF via PHATRA.

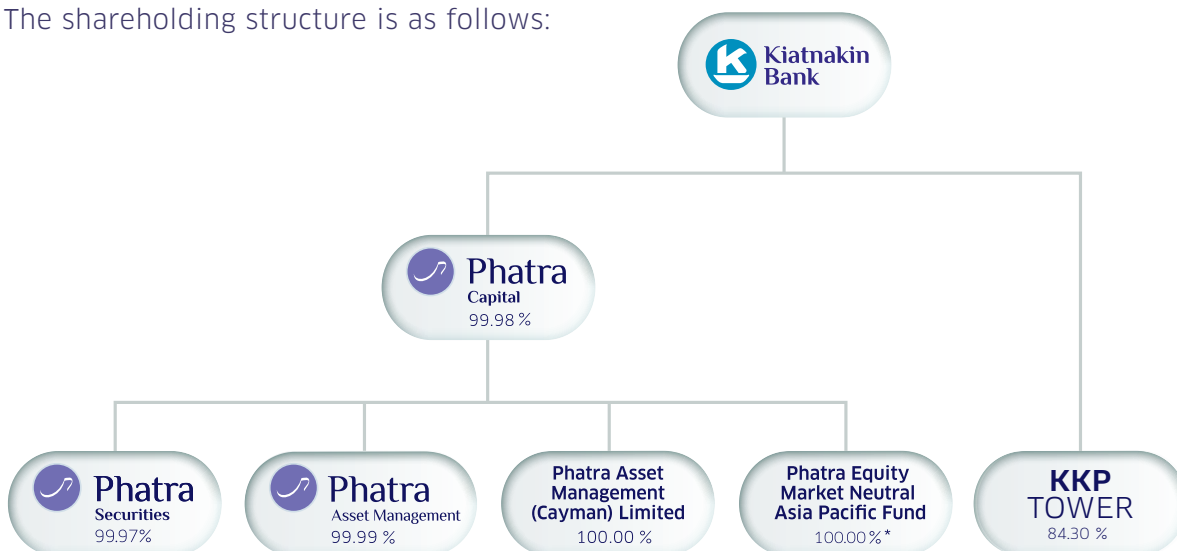
On September 25, 2012, the newly-issued ordinary shares of the Bank started trading on the SET, while PHATRA's shares were delisted from the SET. Later, the Bank officially changed the stock trading ticker from "KK" to "KKP" effective from August 1, 2013 onwards.

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

The Bank, the parent company, operates the commercial banking business. PHATRA is the Bank's subsidiary company, which is a holding company and operates the investment business. KKP Tower Company Limited, another subsidiary company, operates the office rental and property management business for the Bank and its 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 operates investment management in the overseas securities business.

The shareholding structure is as follows:



\* Its management share is held by PHATRA and its registered capital is USD 50,000. It is not a company of the Group according to the Bank of Thailand's regulations on Structure and Scope of Business of Financial Business Groups Guidelines.

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 Capital Public Company Limited-PHATRA  
PHATRA is a holding company operating an investment business. PHATRA has paid-up capital of Baht 1,051,551,200.
  - 2.2 Phatra Securities Public Company Limited-PTSEC  
PTSEC operates the securities business, which are securities brokerage, securities dealing, underwriting, securities borrowing and lending and investment advisory, and the derivatives business, 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 ("SEC") to act as a financial advisor and selling agent for limited BDU. PTSEC has paid-up capital of Baht 1,067,500,000.
  - 2.3 Phatra Asset Management Company Limited-PASSET  
PASSET operates mutual funds, private funds, real estate investment trust manager and the derivatives fund manager business. PASSET has paid-up capital of Baht 120,000,000.
  - 2.4 Phatra Asset Management (Cayman) Limited-Phatra Asset Management (Cayman)  
Phatra Asset Management (Cayman) operates the offshore asset management business and has registered capital of USD 50,000.
  - 2.5 KKP Tower Company Limited  
KKP Tower Company Limited operates the office rental and property management business for the Bank and its 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 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 the 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 the long-term strategy, the Group emphasizes 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 operation 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 and information system improvement as well as strengthening its corporate culture, which is fundamental for its business development.



The Group has a policy on organizational development in five main aspects 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 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 2016

### Sales of All Shares in KKTRADE

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

After the parties fulfilled all conditions under the share sales and purchase agreement, PHATRA completed the sale of all 49,999,998 shares in KKTRADE, representing 99.99% of the total shares sold 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 sales 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 for the Bank.

The Alternative Distribution Channel Group started its operation on February 1, 2016. It offered retail loans, which included personal loans, housing loans and SME loans. As of the end of 2016, the Alternative Distribution Channel Group had outstanding retail loans of Baht 5,027.48 million.

- Upgrading Flagship Branches as Financial Hubs

After closing down branches situated in inefficient areas and opening new branches in potential areas in 2015, the Bank has improved and upgraded strategically important branches, which have high deposit and investment transactions, so-called flagship branches, as its financial hubs to offer financial and investment products of the Group. Providing KK's PRIORITY services and PTSEC's wealth management and Phatra Edge services, the financial hubs reflect the Group's business platform as a bank which provides complete capital market services. In 2016, the Bank opened two financial hubs at the Central World Plaza Bangkok (4<sup>th</sup> Floor) and Thong Lor (J Avenue).

- Innovations of Loan Products

The Bank has launched the KK SME Car3x - Thailand's first SME loan which allows the use of automobiles as collateral. It is a new loan concept providing SMEs with alternatives on collateral. With a credit line of up to three times the value of the vehicle, each client can apply with up to three cars as collateral and receive a 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 a 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 auto hire purchase loans, besides continual product innovations, the Bank developed various sales and service models during the years 2015-2016. Each model has different standards and uniqueness to serve different partner 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 an 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, like the 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 targets 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, retirement savings 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 Life Assurance (Thailand) Public Company Limited ("Generali"), the Bank's business partner, has offered 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 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 payments or withdraw cash in high amounts 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-ATMs

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

#### - KK e-Banking Service

The Bank has developed KK e-Banking service to carry out 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 and offers a wide range of banking services, including deposit and investment account balance update, fund transfers, payment services, etc.

#### - KK Biz e-Banking Service

The Bank has developed KK Biz e-Banking service to carry out online transactions for business





clients of the Bank to manage their financial and investment 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 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 Service

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 and withdrawals or transfer funds without the need to present a bank book.

KK e-Account clients are able to open any type of savings account and manage their accounts through electronic channels, i.e. KK e-Banking or KKP Contact Center.

KK e-Account is safe as it requires the process of account verification prior to making any transaction. It also provides a monthly statement via email 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 on loan repayment.

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

The Bank has continuously improved its KKP Contact Center to serve its deposit and loan clients. Through KKP 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 housing loans and request cash cards.

- Online Communication

The Bank realizes clients' media receiving behavior 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](http://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 updates in the form of messages, articles, images, audio, video, etc. They can also make inquiries and give opinions and suggestions to the Bank anytime.

- KKP Focus

The Group introduced KKP Focus to distribute information on economics, finance, banking, investment as well as the Bank's products and services. KKP Focus was broadcasted on Money Channel every Monday at 11:00 - 11:30 hrs. Broadcasted clips were re-run on KK YouTube ([www.youtube.com/kiatnakinlive](http://www.youtube.com/kiatnakinlive)).

### Synergies within the Group

The Bank and PHATRA constantly emphasizes cooperation to increase business potential and opportunities by expanding existing businesses and reducing limitations. The Group aims to synergize its overall benefits and effectively raise its competitiveness. In addition to the synergies in the private client and investment businesses in which there has been much progress, in 2016 the Bank and Group companies started a cooperation to improve potential and add further opportunities in the wholesale and investment banking business, in which the Financial Markets Group and Corporate Banking Group of the Bank jointly works 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 Policy on an annual basis, as well as



continuously endeavor 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 Policy to add details on resolution and minutes of the shareholders' meeting; the role, practice and responsibilities of the Group towards shareholders, employees, counterparties, the community, society and the environment; connected transactions; intellectual property; anti-corruption; information disclosure; director nomination; roles, duties and responsibilities of the Board of Directors; leadership and vision; Board meeting; Board of Directors' and 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 appetite; ensuring operation is under the proper risk level and defining policy, strategy and guidelines to ensure the Bank's capital adequacy and policy for the crisis stress test.
- Defined additional roles, duties and responsibilities of the Audit Committee on considering policy on non-audit services of the Bank's auditor to ensure his/her independence and reviewed risk measures and controls by reviewing the management's risk management reports in accordance with the approved risk management policy, strategy and plan.
- Defined additional roles, duties and responsibilities of the Risk Management Committee on proposing the appropriate risk

appetite 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 Group companies.
- Revised the Bank's policies and guidelines to be clearer and consistent with newly-issued regulations, for instance, the 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

The Portfolio for Property Financing Loan (PPF) 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 as collateral to secure financing 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 an aim to elevate its competency in managing offshore investment through asset diversification worldwide, diversify investment risk and increase 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 the Chief Investment Office ("CIO Office"). 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 concept (not limited to products offered by PTSEC).

In providing advisory service to clients, financial consultants, who are familiar with and understand the needs of clients, will cater to the greatest convenience for clients 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 – for 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 financial instruments which have been offered by PTSEC for more than eight years for clients' investment. Structured products can have a customized return and risk based on clients' preference. 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 to offer a wide variety of financial products.

- Deposit and Bancassurance Products

The Bank offers the KK Phatra Smart Settlement savings account ("KKPSS") for clients of PTSEC to service their securities trading and other transactions with PTSEC. KKPSS requires no minimum amount for

account opening, as well as no limit on withdrawal transactions and savings period. The product feature enables clients to simply manage their liquidity and link it to their investment. In addition, clients will also earn KKPSS interest at as high as a fixed deposit account.

In terms of bancassurance products, the Bank has developed unit-linked products, namely KKGEN Protect Link and KKGEN Invest Link which bundle insurance and investment enabling clients to enjoy the benefits from life protection and investment return. 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 auto hire purchase and carried out marketing activities mainly through car dealers and the 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 which comprise personal loans, housing loans and micro SME loans to drive the Bank to become a quality credit house.

In 2017, the Bank developed the sales of retail loan products by carrying out proactive marketing activities via the Alternative Distribution Channel Group, such as mini booths which were set up on a rotation basis at office buildings in Bangkok and KK Money Stations offering retail loan products so clients do 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 for clients' convenience during the loan application process. 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 emphasized service model development which 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 loans for the used car market (KK Car Plaza) and the online model for loan applications. Moreover, the Bank developed an underwriting process to shorten the turnaround time to within 2-3 hours in certain areas and expanded it 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 transfers to accounts registered with PromptPay (mobile phone number, ID card number and e-wallet number), bulk fund transfers to accounts registered with PromptPay (mobile phone number, ID card number and e-wallet number), making bill payments through the biller list by using KK e-Banking or branch channels, etc.

- Remittance Service

In 2017, the Bank acquired two more partners for the remittance service 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 money transferred to their accounts in cash at all branches of the Bank nationwide.

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

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

- Development of Service Channel via KKP Contact Center

The Bank operates the KKP Contact Center (phone number 0-2165-5555) to serve clients' inquiries and transactions through phone service (IVR) and KKP Contact Center agents. In 2017, the Bank launched many new services of the KKP Contact Center, including cross-sell/up-sell via the telesales channel aiming to increase convenience and be an alternative channel for clients. The new services are:

- (1) Requesting the most recent monthly copy of vehicle tax invoice via phone service (IVR);
- (2) Changing the cash card credit limit via phone service (IVR); and
- (3) Reserving securities with PTSEC via KKP 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 a 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 clients' accessibility to all types of platforms, such as website and mobile application – both for iOS and Android. Emphasis has been specifically put on 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 transfers, securities transfers, 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



the Group'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 the Group's brand positioning: visionary, 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, Phatra Global Unconstrained Bond Fund - Hedged (PHATRA G-UBOND-H), which is a feeder fund investing in the 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 on investment of global fixed income spectrum with active management strategies. The fund has the flexibility to make investment adjustments in response to rapid changes in the 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 the performance of foreign securities with an aim to offer clients more investment choices and opportunities.

#### **Synergies within the Group**

After the merger, the Bank and Group companies have been cooperating to increase business potential and opportunities while minimizing limitations with the aim to synergize overall benefits and effectively elevate its competitiveness. Such synergies led to business development for the private client business, investment business and wholesale and investment banking business.

In 2017, the collaboration within the Private Client Group, comprising the Bank's Priority Banking Group, the 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 PASSET has been continually on the improving trend.

In terms of the wholesale and investment banking business which encompasses the Financial Markets Group and the Corporate Banking Group of the Bank and Investment Banking and 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 (more sophisticated products and services of each business unit). As a result, in 2017, approximately 25% of the wholesale and investment banking business's revenue was generated from such successful business collaboration while clients had more awareness of the Group's products and services. Moreover, various business units under the wholesale and investment banking business have been cooperating 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 Policy on an annual basis, as well as continuously endeavor 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 the Corporate Governance Code for Listed Companies 2017 ("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 long-term





satisfactory business performance and establish sustainable value creation.

- The Bank entered into a 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 commercial bank business ethics to meet society's expectation, as well as elevate clients' trust on fair services and accurate information.
- Reviewed and revised the Bank's Corporate Governance Policy by making adjustments and ensuring clarity for the aspects of notice of AGM; resolution and minutes of AGM; role, practice and responsibilities of the Group towards clients; connected transactions; information disclosure; roles, duties and responsibilities of the Board of Directors; leadership and vision; Board meeting and roles and duties of the Chairman of the Board of Directors.
- Reviewed and revised the Guidelines for the Business Conduct Policy of the Group regarding confidentiality obligations, fair dealing, treating individuals with respect and dignity, compliance with the law and commitment to promoting ethical conduct.
- Revised and defined additional roles, duties and responsibilities of the Board of Directors in writing. Examples are determining short and long-term business directions and strategic goals of the Group for both financial and non-financial aspects and efficiently allocating significant resources within the Group to ensure the objectives and goals are achieved; approving the Group's business plans as proposed by the Executive Committee by taking into account all changes to the Group's ecosystem and factors; overseeing

to ensure adequate and efficient allocation of key resources, for instance, capital investment, personnel, technology, etc.; promoting the utilization of innovation to create business opportunities; improving business operation and risk management to enable the Bank to achieve key business objectives and goals; defining the proper remuneration structure to incentivize employees to fully perform their roles; ensuring 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; studying and understanding the shareholder structure and relationship which may affect business management and operation; regularly reviewing committees' roles and responsibilities at least once a year; appointing the CEO nominated by the Nomination and Remuneration Committee; determining the performance evaluation criteria for the CEO; performing the annual performance evaluation of the CEO; appointing and establishing the scope and authority of the highest-level executive of PHATRA nominated by the Nomination and Remuneration Committee; reviewing the Board of Directors' roles, duties and responsibilities at least once a year in line with the changing business environment, industry, relevant factors, regulations and laws; as well as enabling the Bank to adapt in an appropriate and timely manner and performing the annual performance evaluation.

- Determined additional roles, duties and responsibilities of the Executive Committee in writing which covered short and long-term business directions and strategic goals of the Group for both financial and non-financial aspects by analyzing the ecosystem and factors prior to proposing to the Board of Directors for consideration. Emphasized adequate and efficient allocation of key resources; approved the unreviewed/



unaudited financial statements in order to disclose to the SET and relevant supervisory agencies and considered 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 companies and ensured the Bank has a 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 Group companies have established the process to take corrective actions on issues found by regulatory agencies, the external auditor, the internal auditor and compliance unit and considered 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 in selecting and proposing qualified persons as stipulated by relevant laws and regulations to be the highest-level executive of PHATRA and proposing for the Board of Directors' approval.
- Determined non-audit services policy for the auditor to ensure transparency and the auditor's independence.
- Revised the Bank's policies and guidelines for more clarity and to make sure they align with the changes of regulatory agencies' regulations. These cover the Bank's and the Group's Risk Management Policy; Policy and Plan for Capital Management; 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 which is material to changes in the securities price; Liquidity Management Policy; Internal Capital Adequacy Assessment Process - ICAAP, etc.

- The Bank, PHATRA, PTSEC and PASSET have submitted a self-assessment on anti-corruption measures to the CAC in order to re-certify their membership. The CAC has already approved the re-certification of membership which will be valid for three years from the approval date.

## 2018

### Development of Products and Service Channels

- Upgrading Flagship Branches as Financial Hubs

The Bank has continuously improved and upgraded its flagship branches, which have high deposits and investment transactions, to be financial hubs to offer financial and investment products of the Group. Providing KK PRIORITY service and PTSEC's wealth management and Phatra Edge services, the financial hubs reflect the Groups' business platform as a bank which provides complete capital market services. In 2018, the Bank opened another financial hub at Yaowarat.

- KK Virtual Branch

KK Virtual Branch has the same competence as an actual branch. This is a new integrated innovation between financial transactions and the banker. KK Virtual Branch is self-service and has been designed for easy use to make sure clients are comfortable and familiar. KK Virtual Branch's current services are opening new accounts, making fund transfers within the Bank, as well as interbank transfers including PromptPay and portfolio summary. Clients can also sign up for new services, such as e-Banking, Smart SMS and debit card. KK Virtual Branch also has a video call function with staff enabling clients to



make inquiries or obtain suggestions on products and services. KK Virtual Branch has already been set up at the Asoke branch. In 2019, the Bank aims to launch new services on investment via KK Virtual Branch to allow clients to make transactions (buy, sell and switch) of their mutual funds and also roll out five more branches at Siam Paragon, Central World, Thong Lor, Seacon Square Srinakarin and Silom.

#### - KK Magic Mirror

The Bank has innovated and kept on expanding its services while seeking new investment methods which fulfill the modern lifestyle of the digital era. The Bank has created a new service, KK Magic Mirror, which uses technology to enable a connection between clients and the Bank in the form of human interaction just like an actual conversation with the image of a virtual staff member on the screen.

KK Magic Mirror utilizes a digital touch screen and gives clients access to the basic financial advisory service of the Bank. It can deliver answers in a matter of seconds or even instantly to people who would like to make an investment but do not have time to visit the Bank's branches. It is considered the first innovation in providing financial advisory service via an LED screen in the form of interactive communication in Thailand.

KK Magic Mirror currently has two types of services which are 1) instant conversation with a virtual staff who will provide a personal solution to financial issues which may eventually bring clients to meet with financial advisors at branches and 2) live video call to inquire about investment products and services which meet the client's need.

At the moment, the Bank has already launched five KK Magic Mirror located at the Asoke branch, K Village, Seacon Square Srinakarin, CP Tower1 Silom and Central World.

#### - KK e-Banking Mobile Application for Buying, Selling and Switching Mutual Funds

The Bank has developed KK e-Banking mobile application, which connects with FundConnex of the SET, to facilitate clients on buying, selling and switching mutual funds via mobile phone. Through KK e-Banking mobile application, clients can view

the summary of fund transactions previously made and their transaction statement any place and anytime.

#### - Banking as a Service

The Bank has launched Banking as a Service to extend banking services for external organizations to be able to connect and make financial transactions - fund transfers and payments for goods and services - via their own systems.

#### - Market Place Project

The Bank has developed the Market Place Project, called HUBB, which is a service platform to broaden the website's capacity to be a market place for clients to quickly and easily search for products and services of the Bank. The Bank plans to use this platform for products, such as used cars, new cars, insurance, personal loans, housing loans, car auctions, etc.

#### - Line @kkloan

Besides the Bank's website and social media, which are Facebook @kiatnakinlive, Twitter @kiatnakinlive, YouTube @kiatnakinlive and Line @kkplive from which clients can receive news from the Bank, the Bank has developed Line @kkloan as another channel for clients who are interested in applying for loans. Through Line @kkloan, the Bank can provide instant loan advisory in all aspects ranging from loan product details, qualifications of applicants and initial credit line for personal loans, housing loans and auto hire purchase loans.

#### - Deposit Product Development

The Bank has developed a new deposit product, the "Basic Banking Account", to support the policy of the Bank of Thailand and the Thai Bankers' Association in improving the access of Thai households to financial services. Giving people access to appropriate financial services can help them to better manage risks, encourage them to learn more about savings and provide more opportunities for the easy and safe receipt of government benefits. This product will lead to other formal financial services, such as savings, investments and loans which can help people improve their lives.



Basic Banking Account is a savings account which gives clients the comfort of deposit-withdrawal banking transactions, no minimum opening balance and free debit card entrance fee, annual fee and account maintenance fee. It is available to Thai citizens with a welfare card or those aged 65 or more. The Bank launched this product on October 18, 2018.

Moreover, the Bank has also developed and launched KK SMEx3 current account to facilitate financial transactions for clients who have the KK SMEx3 loan.

- Waiver of Online Transaction Fees

The Bank has become a significant part of the government's strategy to promote payments via electronic channels or the national e-Payment masterplan as part of the Ministry of Finance's aim to develop financial and payment systems in order to efficiently manage cost, reduce cash usage and stimulate the wide usage of e-payment. Therefore, the Bank has waived fees for online transactions (internet and mobile banking) via KK e-Banking and KK e-Banking @PhatraEdge since April 3, 2018.

The Bank believes that the online fee waiver by financial institutions is a significant changing point for the national payment system. This will concretely help reduce cost for financial institutions and the country, increase the economic growth rate, cut the existence of the informal economy, enhance competitiveness and push the country forward into the digital era.

- Issuance and Offering of Structured Products

In 2018, PTSEC issued and offered two new types of structured products: 1) Rainbow ELN, an equity linked note which had more than one underlying securities and 2) Autocallable Fixed Coupon Note, a yield enhancement note which offered a higher return if the price of the underlying securities was in accordance with the specified conditions. Both types of structured products are popular among investors.

- Family Advisory Service

Apart from the services on investment advisory for high-net-worth clients who have an investment

of more than Baht 30 million in investable assets, PTSEC has entered into a new business opportunity by introducing a comprehensive service of private wealth management with the objective to facilitate the need of clients on the succession of the family business and family wealth. Its family advisory services include preliminary advice on the shareholding structure of the family business, the holding structure of family assets, preparation of legal documents related to restructuring and succession, preparation of the family constitution and planning of the family business succession.

**Information Technology Infrastructure Improvement**

The Bank recognizes the importance of stability and growth in its business operation. In 2018, the Bank invested in several key IT projects, for example, Enterprise Resource Planning (ERP), IFRS9 and new core banking projects. The Bank has used more than Baht 500 million and management and employee resources for almost two years to revamp the key processes of core banking, which is a service foundation of the Bank ranging from client accounts, deposits, withdrawals and fund transfer functions. All these were to replace the old core banking system which had been used since 2005. Its objective is to upgrade IT infrastructure and develop banking services to offer equal or better services than those of other banks of the same class and enable the Bank to provide products and services which meet the market's needs and increase its competitive advantage.

The Bank selected the core banking system from Silverlake Group, a well-accepted supplier of proven solutions for more than thirty years by Thai and international financial institutes, especially in the Southeast Asian region. The Bank selected the core banking solution based on confidence and expertise of the supplier, past success and reliable results and strong support and commitment by the supplier in terms of resources for technical service, support and advice.

On November 25, 2018, the Bank started using its new core banking system. The Bank has successfully made a big change to its IT architecture with eighty



new and upgraded surrounding sub-systems. The Bank has cancelled old and comp-lex systems and reinforced its IT infrastructure stability to be ready for the elevated level of business continuity management. Reducing system complexity, the Bank also centralized product management and client information database, and in doing so, increased its IT capabilities in new product design and development to shorten time-to-market overall. The new core banking system also extended business and IT capabilities to support the three-year strategic growth of the national e-Payment and digital banking strategy of the Bank of Thailand as well.

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

PASSET has introduced a variety of products to broaden the scope of investment choices for investors, which mainly focus on diversification and asset allocation.

In 2018, PASSET launched Phatra Global New Perspective Fund - Hedged (PHATRA GNP-H) to provide investors with another option in global equity investments with currency hedging by investing in Capital Group New Perspective Fund (LUX). Moreover, PASSET also launched three Retirement Mutual Funds (RMF) for investors who wish to invest in RMFs, allowing them to invest in a variety of asset classes. The new RMFs include: 1) Phatra Global New Perspective RMF Fund - Hedged (PHATRA GNP RMF-H); 2) Phatra Global New Perspective RMF Fund – Unhedged (PHATRA GNP RMF-UH) - both funds are Feeder funds investing in Capital Group New Perspective Fund (LUX), with different currency hedging strategies and 3) Phatra Strategic Asset Allocation Retirement Mutual Fund (PHATRA SG-AA RMF), which invests both locally and globally in equities, fixed income securities and alternative assets.

In addition to the launch of mutual funds, PASSET has also continuously developed private fund products to provide more choices for investors including private funds which invest in structured notes linked to performances of foreign securities and private funds with asset allocation strategies.

PASSET has also expanded distribution channels to banks with the open-architecture concept, insurance companies which offer unit-linked insurance products and various security companies.

#### **Synergies within the Group**

In 2018, the Bank and Group companies continued their cooperation to increase business potential and opportunities while minimizing limitations with an aim to synergize the overall benefits and effectively increase its competitiveness.

With this endeavor, there have been improvements in its private banking business, investment business and wholesale and investment banking business. For instance, revenue from the wholesale and investment banking business in 2018 increased from Baht 1.18 billion in 2017 to more than Baht 1.40 billion, of which 50% was generated from the cross-selling of the Group's products and services. The investment business, which was operated by Group companies, had an increase in investment capital in 2018 as a result of support from the Bank. The private banking business also significantly increased the cross-selling of products and services, especially KKPSS, wealth management and Phatra Edge services, Lombard loans, private funds and various insurance products.

#### **Corporate Governance Improvement**

The Bank's Board of Directors reviews and revises the Corporate Governance Policy on an annual basis and constantly improves practices on several matters to upgrade the governance level of the Bank and Group companies. During 2018, the Bank additionally improved its key corporate governance practices as follows:

- The Board of Directors reviewed and amended its Corporate Governance Policy so that it was in line with current practices and newly-issued regulations, i.e. the Bank of Thailand's Corporate Governance of Financial Institutions. The topics which has been revised include the shareholders' meeting; reporting channels for whistleblowers; role, practice and responsibilities of the Group towards clients, the community, society and the environment;





securities trading by directors, executives and employees engaging in business outside the Bank; anti-corruption and anti-bribery; disclosure of corporate governance information; Board composition; director qualification; term of directorship; directorship in other companies of directors; roles, duties and responsibilities of the Board of Directors; Board meeting; performance evaluation of the Board of Directors and committees; remuneration for directors and executives and directorship in other companies of executives.

- Revised and defined additional roles, duties and responsibilities of the Board of Directors in writing. This included defining the proper remuneration structure to incentivize employees to fully perform their duties with honesty and consistency with the risk culture; defining or approving the effective risk governance framework to support business operations in accordance with the specified directions and objectives under the rapidly changing business environment; ensuring that the Bank has a system and risk management process which can address the overall and significant risks (Comprehensive Risk Management Policy and Process); overseeing the Group's risks to ensure that the business is operated within specified risk management policies and strategies, that the risk culture is built and there is communication of risk policies and strategies throughout the organization; reviewing the sufficiency and effectiveness of the overall risk management policies and strategies as well as risk appetite at least once a year or upon any significant changes; regularly partaking in the evaluation of the effectiveness and efficiency of the Head of the Risk Management Group at least once a year; ensuring that the Bank and Group companies have an organizational structure which promotes independent and effective control,

oversight and audit functions (three lines of defense) and overseeing the disclosure of important corporate governance information at shareholders' meetings and to the public.

- Revised the roles, duties and responsibilities of the Executive Committee on the establishment of the overall organizational structure in accordance with the business direction and goals.
- Added roles, duties and responsibilities of the Audit Committee to assist the Board of Directors in overseeing the Group companies and reviewing the accuracy of the Anti-corruption Self-evaluation Report and reference documents as prescribed by the CAC.
- Defined additional roles, duties and responsibilities of the Nomination and Remuneration Committee in writing in giving consent on the directors and persons with management authority of the Group companies prior to being proposed for appointment; oversaw that the Group has a mechanism or tool to support the process for selecting and nominating director candidates; ensured the disclosure of the policy and process for the selection of directors and persons with management authority of the Bank in the annual report; ensured that the remuneration and other benefits for Board members and persons with management authority reflect the objectives, duties and responsibilities and relevant risks and do not create incentives for entering into too risky transactions which can affect the Group's stability and considered and established guidelines for the performance evaluation of the Board members (cross-evaluation) prior to proposing to the Board of Directors.
- Defined and revised the Bank's policies and guidelines for more clarity and to ensure that they were in line with the revised regulations of governing agencies. These cover all Risk Management Policies, including IT Risk



Management Policy, Market Conduct Policy, Service Channels Policy, Core Credit Policy, Commercial Lending Policy, Counterparty Risk Policy, Collateral Policy, Debt Restructuring Policy, etc.

- PASSET has prepared and submitted the Anti-corruption Self-evaluation Report to the CAC to re-certify its membership to the CAC. As a result, PASSET has been approved and re-certified as a full member of the CAC on February 12, 2018, following PHATRA and PTSEC, which have been re-certified since March 9, 2017, and the Bank, which has

been re-certified since November 10, 2017.

- The Bank and Group companies in the capital market business, in conjunction with the CAC, have announced the No Gift Policy, which is consistent with the Group's incessant practices on anti-corruption. Moreover, the Bank has cooperated with the Thai Bankers' Association to declare the No Gift Policy to confirm its intent against corruption in any form and support transparency and good corporate governance in its business operation.



## Business Operations

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

The Group has set the goal of becoming a high performance financial institution operating three key businesses and sets its business operation categories in accordance with the business objective to ensure collaboration between the commercial banking business and the capital market business while placing the focus upon synergy within the Group. The Group leverages the expertise of each business in order to achieve combined results in terms of expanding the Group's scope of services and also to continuously enhance overall business operations. The three key businesses are as follows: 1) credit business and 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 are on building efficiencies, creating standards and identifying new alternative channels to reach targeted client segments while maintaining an effective risk management. For private banking which targets high-net-worth clients and is a business in which the Group has long-term expertise, the goal is to grow the business by creating good yield and diverse investment channels and capitalizing on the capital market group's expertise in the wealth management business through the commercial banking business's 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.

### Revenue Structure of the Group

The revenue structure of the Group in accordance with the consolidated financial statements for the years ending December 31, 2016 - 2018 is as follows:

	2016		2017		2018	
	Baht Million	%	Baht Million	%	Baht Million	%
Interest income	14,869	92.0	14,844	91.1	16,294	90.0
Interest expense	4,436	27.5	4,216	25.9	5,033	27.8
<b>Net Interest Income</b>	<b>10,433</b>	<b>64.6</b>	<b>10,628</b>	<b>65.2</b>	<b>11,262</b>	<b>62.2</b>
Fees and services income	4,174	25.8	4,448	27.3	5,022	27.7
Commercial banking business	1,945	12.0	1,916	11.8	2,071	11.4
Capital market business	2,230	13.8	2,532	15.5	2,951	16.3
Fees and services expense	468	2.9	393	2.4	443	2.4
<b>Net Fees and Services Income</b>	<b>3,707</b>	<b>22.9</b>	<b>4,055</b>	<b>24.9</b>	<b>4,579</b>	<b>25.3</b>
Gain on trading and foreign exchange transactions, net	577	3.6	268	1.6	457	2.5
Gain on financial liabilities designated at fair value through profit or loss, net	0	0.0	0	0.0	63	0.3
Gain (loss) on investment, net	203	1.3	178	1.1	390	2.2
Dividend income and profit sharing	442	2.7	674	4.1	968	5.3
Other operating income	793	4.9	494	3.0	385	2.1
<b>Total Operating Income</b>	<b>16,156</b>	<b>100.0</b>	<b>16,298</b>	<b>100.0</b>	<b>18,103</b>	<b>100.0</b>



## Nature of Products and Services

### 1. Commercial Banking Business

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

#### - *Auto Hire Purchase*

The Bank provides all types of motor vehicle hire purchase services 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 which 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, 2018, auto hire purchase loans accounted for 47% of the Bank's total lending portfolio and the ratio of new to used cars, including CarQuickCash, stood at 39% to 61% on average. The Bank has continued to place strong emphasis on its auto hire purchase business, by taking into account both market and competitive conditions which 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 with the transfer of the car registration (with flat interest rate). In 2018, the Bank has extended the type of collateral eligible for loan from only freehold collateral to refinancing from other banks and non-banks as well.

#### - *Personal Loan*

The personal loan business involves multi-purpose loans with 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 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. 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 which 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 Real Estate Lending Department, 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.

#### - *SME Loan*

SME loans are credit extended to finance individuals or corporate entities conducting small businesses which include the service industry and



the retail and wholesale business sectors. There are various types of facilities for this lending category to respond to clients' needs, such as a business working capital line, O/D and business expansion loans, etc. Different types of collateral can be used, such as real estate (land and building, warehouse, office or vacant land), cars and even with no collateral. The maximum credit limit is three times the collateral value not exceeding Baht fifteen million.

- *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 under PTSEC's management as collateral such as cash, ordinary shares in the SET100 (except KKP), property funds, REITS, infrastructure funds and mutual funds managed by PASSET, etc. There are two types of loan terms available – flexible term (less than twelve months) and fixed term (one, three, six, nine or twelve 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 want to acquire real estate or to increase financial liquidity as an asset owner by using land; land with buildings which is a house or commercial building or other types of buildings, such as apartment, hotel and condominium; together with the financial assets under PTSEC's management as collateral such as cash, SET100 securities (except KKP), property funds, REITS, infrastructure funds and mutual funds managed by PASSET, 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*

During 2018, the Bank continued to focus on clients by providing additional products and services which cater to clients' needs such as KK SMEx3 account which is a current deposit account for clients of KK SMEx3 loan. The Bank also launched

safe deposit box service at the Yaowarat branch to expand new services for both KK and priority banking clients.

Additionally, to support clients under welfare from the government, the Bank has developed "Basic Banking Account" with the benefits of no entrance and annual fee for KK Value card, no minimum opening deposit requirement and no maintaining balance fee. By providing this product, the Bank aims to promote access to bank accounts and expand to other financial services, for example savings, investments and loans in order to encourage accessibility and usage of appropriate financial services with the aim to help people better manage their risks and build financial stability.

The Bank also continued to focus on the expansion of KK Phatra Smart Settlement (KKPSS), which is a settlement account for clients of PTSEC to provide convenience and enable a full range of investment transactions.

- *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, as a life and non-life insurance broker, provides advice and financial planning service to clients. The Bank has cooperated with leading insurance companies with strong financial positions to be able to serve its 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. The Bank offers various insurance products as follows:

1. Life insurance - the Bank offers consultation and financial planning for clients. The insurance product types offered include endowment or savings insurance, annuity insurance and several insurances with investment with both single premium and regular premium. The Bank also provides various types of credit life insurance – both retail and commercial lending – offering debt obligation coverage to help reduce financial burden arising from unexpected events, for example auto hire





purchase, personal loan, housing loan, floor plan lending, etc. In 2018, the Bank continued to develop and distribute new life insurance products with cancer protection, namely KKGen Cancer Ultimate Protect, which protects against all stages of cancer until the age of eighty-five.

2. Non-life insurance – the Bank provides protection for individual life and insured buildings and assets placed as the Bank's collateral. The insurance protection is offered for both short-term (one year) and long-term (three and five 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 high-net-worth clients whose combined value of deposit and investment (average asset) is Baht 10 million or higher. The Bank analyzes the clients' needs and offers 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, structured notes 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 and higher 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 which 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, which are mainly listed companies on 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 which evolve with the financial and capital markets.

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 an analysis and is able to identify target clients and provide them with the appropriate financial 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, 2018, the outstanding Corporate Banking loan portfolio totaled Baht 23,873 million, and increased approximately by 51% YoY.

- *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, 2018, the total outstanding Commercial Lending portfolio was Baht 55,813 million, increased approximately by 26% 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 aims to facilitate the sales of real estate project development. The Bank concentrates on facilitating our clients with timely approval processes, suitable types of credit facilities, an adequate loan amount and appropriate repayment schedules which 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 limits, 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 logistics activities, which include 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 tow trucks. Other facilities for logistics 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/telecommunication 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, Aval and LG limits.

#### 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, leasing and hire purchase, Aval and LG limits, etc.

##### - *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 liquidation process from the Legal Execution Department. In 2010, the Bank acquired unit trusts in the Gamma Capital Fund and the Bangkok Capital Fund, both of which operate mutual fund operation which is a similar line of business to those operated by the Bank's subsidiaries. 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 Special Asset Management Group comprising of the Debt Restructuring Department, the NPL and NPA Support Department responsible for handling debt

restructuring negotiation and the Asset Management Department responsible for sales of foreclosed assets. The details of assets for sale, such as their location, size and price range are provided on [www.kkasset.com](http://www.kkasset.com) for viewing by clients and interested parties.

##### - *Financial Markets*

In 2018, the Financial Markets Group continued its growth in terms of client base, transaction volume, transaction value and products and services even though the market was confronted with uncertainty from both internal and external factors such as the trade war and tightening monetary policy by many central banks. Foreign exchange (FX) transactions, FX and interest rate derivatives (as hedging tools) with financial institutions and corporate clients and proprietary trading increased satisfactorily and met the revenue target.

Our business in bond trading, both in the primary and secondary markets, had a major development last year as the SEC applied more rigid rules and regulations for debt securities issuance and offering which significantly resulted in the lower volume for the short-term bill of exchange market. However, the Bank still remained in the number one spot, accounting for 24.4% of the market share. After focusing more on corporate bond transactions with high-net-worth clients, the Bank was ranked higher at the number six spot (seventh in 2017) in corporate bond trading with 6.28% of the market share and ranking ninth in all bond outright trading value (time-to-maturity > one year) with a 5.11% market share.

The Financial Markets Group also played an important role in finding source of funds for the Bank to support the expansion of business and for assets and liabilities management. Funding was through short-term and long-term debentures including structured notes which were an alternative financial product for clients to diversify their investment risk. With our systematic collaboration within the Group, the Financial Markets Group issued new structured notes linked to local equities and top foreign funds with the total amount of Baht 3,359 million, nearly



double compared to the previous year.

The Bank, through the Financial Markets Group, has invariably improved the standard of service by diversifying and expanding financial products and services. Using our core principle on systematic collaboration within the Group to formulate strategies and planning to innovate, the Financial Markets Group develops and offers the finest financial solutions to serve clients' objectives.

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. The key improvements are as follows:

#### *Personnel Development*

The Bank has continuously placed great emphasis on the development of personnel and leadership potential with the belief that effective teamwork and leadership are the keys to drive the Group's short and long-term strategies for achieving the mission and vision as set with sustainable business growth. In addition, the Bank recognizes the importance of our employees and strives to create a supportive working environment under the common principles and values and a good organizational culture which underlines employee participation, respect and professionalism and also recognizes individuals who exhibit dedication and create innovations for the organization. The Bank gives the opportunity for employees to develop their ability/potential by using various aspects of human resources management. This includes talent acquisition of qualified personnel, fair and competitive welfare and benefits, career management and a wide range of training, a variety of knowledge management to become a learning organization and team-building activities with the belief that teamwork is the heart of success.

The Bank also allows opportunities and creates platforms for employees to participate in and create innovations for the organization.

#### *Development of Operational Efficiency*

With the dynamics of various changes in the business environment, quality and efficiency in management and operations are key factors for business growth. The key strategy is focusing on development to standardize and create efficiency in operations. Processes in business operations are constantly analyzed and designed with applied information technology (digitalization) resulting in operation innovations and leading to increase stability and efficiency in resource utilization. In parallel, people development to adapt to the changing environment is crucial in order to provide support to the innovations according to the business objectives. As such, operational development is an important mechanism which must be continuously performed in order to create sustainable competitiveness in the business.

#### *Information Technology Development*

The Bank recognizes the importance of stability and growth in business operations. In 2018, the Bank invested in several key IT projects, for example, the Enterprise Resource Planning, IFRS9 and new core banking projects. The Bank has dedicated management and employee resources for almost two years to revamp the key processes of core banking, which is the service foundation of the Bank, ranging from client accounts, deposits, withdrawals and fund transfer functions to replace the original core banking system. Its objective was to upgrade IT infrastructure and develop banking services in order for the Bank to provide products and services which meet the markets' needs and increase its competitive advantage.

The Bank selected the core banking system from Silverlake Group, a well-accepted supplier of proven solutions for more than thirty years by Thai and international financial institutes, especially in the Southeast Asian region. The Bank selected the core banking solution based on confidence and expertise of the supplier, past success and reliable



results and the supplier's commitment on resources which would continue technical services, support and advice for the Bank.

On November 25, 2018, the Bank started using its new core banking system. The Bank successfully made a big change to its IT architecture with eighty new and upgraded surrounding sub-systems. The Bank discontinued existing complex systems and reinforced its IT infrastructure stability to be ready for the elevated level of business continuity management. To reduce system complexity, the Bank centralized product management and client information database. The new core banking system has increased IT capabilities in new product design and development to shorten time-to-market and extend business and IT capabilities to support the three-year strategic growth of the national e-Payment and digital banking strategy of the Bank of Thailand as well.

#### *Risk Management Development*

##### *- Risk Management Overview*

In 2018, the Group continued focusing on the synchronization of risk management and business operations in order to limit risks to within acceptable levels. Risks of the Group originate from both internal and external factors. To efficiently manage all significant risks, the Group has classified them, according to the Bank of Thailand, into five different types, specifically credit risk, market risk, liquidity risk, strategic risk and operational risk which includes information technology risk (IT risk). In addition, the Group has applied risk management processes in accordance with international standards, consisting of risk identification, risk measurement, risk assessment, as well as risk monitoring and control. The Risk Management Committee and sub-committees cooperate in reviewing and proposing policies and risk governance framework, as well as monitoring the overview of risk management to report to the Board of Directors. Meanwhile, the Risk Management Group and Group companies' Risk Management Department, which are independent from front office departments or risk owners, regulate and support the risk management of the Group.

The Group improved many aspects of risk management in 2018, for example, the development of both new and existing risk management tools to increase effectiveness, the liquidity risk management according to Basel III and the encouragement of good risk management culture.

##### *- Risk Management Development*

In 2018, the Group developed several risk management initiatives to increase efficiency of risk management activities as follows:

1. Application of existing tools and development of new tools, such as:
  - Developed Bureau Score by utilizing the NCB's information to develop the Bank's models for new and used car hire purchase and CarQuickCash.
  - Purchased Bureau Score for personal loan, housing loan and SME product program, i.e. SME Car3x, SME Freedom, SME x3 and Inventory Finance Used Car Program.
  - Developed Risk Grade for phone collection via Chi-square Automatic Interaction Detection (CHAID) to be used in personal loan and auto hire purchase debt collection.
  - Launched Portfolio Scrub which is a portfolio level credit review, resulting in a credit limit decrease or increase, and a curing program for debt restructuring to promptly restructure high credit risk loans.
  - Applied Behavior Score for cross-selling purposes to properly bundle products or top up credit limit.
  - Developed early indicators to improve product program and launch test programs for new channels and new segments in order to increase business opportunities within acceptable risk levels. An example is a testing program of Baht 100 million exposure in twelve months which will be upgraded to product program if it achieves satisfactory results.
  - Developed market risk daily monitoring





tools and capital calculation tools for FX option products, starting from USD/THB plain-vanilla call and put options.

- Improved commercial credit risk and financial institution dashboard to increase detailed information and stability.
  - Improved Single Lending Limit (SLL) effectiveness.
  - Applied Net Stable Funding Ratio (NSFR) indicator, according to Basel III, to liquidity risk management.
2. Preparation to support future systems and requirements of the Bank of Thailand as follows:
    - New International Financial Reporting Standard 9 (IFRS9) in 2020.
    - Counterparty credit risk guideline according to Basel III for Standardized Approach for Measuring Counterparty Credit Risk (SACCR) in 2020.
    - New interest rate risk in banking book, based on Basel Committee on Banking Supervision (BCBS) Standard, announced in April 2018.
  3. Preparation for new product launches to support the Financial Markets Group by the Market Risk Management Department as follows:
    - USD/THB plain-vanilla call and put options managed by the Bank's risk management.
    - Structured note, the package of bond forward or new option and note, for example, digital option, option with quanto compensation, basket option, twin win and bonus enhanced.
    - Market data vendor change preparation to reduce operational cost without compromising efficiency and coverage.
  4. New guideline implementation and process improvement

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

1. Risk roadmap development which targets to apply the Internal Rating Based Approach

(IRB) to determine credit risk capital requirements in order to enhance risk management capability and set a long-term fundamental framework for risk management, consisting of two major parts: data warehouse infrastructure development as well as risk management and capital adequacy calculation tools development.

2. Risk management involvement in product and service development process along with business units.
3. Risk management knowledge training for the Group's personnel to foster understanding and embed risk awareness and risk culture into the Group.
4. Capital adequacy assessment process developed by the Group, which covers all of the Group's significant risks and assesses three aspects of capital adequacy: forecast capital needs, current capital needs and potential capital needs in crisis, to conform to the Internal Capital Adequacy Assessment Process (ICAAP) guideline from Basel.

In 2019, the Group aims to focus on risk management and tools development, for example, re-developing the application score for new and used car hire purchase. Regarding the change of risk factors, models will be updated for precision in terms of client classification. Recovery score or CHAID will be developed to improve debt collection productivity and to assign work to internal or external department collection agencies to save operational cost.

Every model will be validated every quarter to assure the precision and effectiveness of risk management. The Group continues to encourage cooperation between the Risk Management Group and other business units to manage risk, develop risk management procedures and initiate tools or processes to assess risks the Group may confront within the foreseeable future.

- Risk Management Policy and Procedure

The principal policy in risk management focuses on the management of risks throughout the entire organization. Each business unit is responsible for



understanding the risks arising from its business activities and manage 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 the 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 business conduct to comply with the specified risk appetite. Additionally, the Board of Directors supervises the Group's 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 and strategic risk. The Board of Directors is also responsible for consistently approving and reviewing 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 the 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 provides comments to the Risk Management Committee.

- 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 obligations and transactions similar to lending which include 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 to supervise and recommend 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 to remain within an acceptable level.

- Office of Internal Audit

The Office of Internal Audit audits and verifies the operations of departments and units to comply with policies, guidelines, regulations and processes of operational risk management. It examines and assesses the performance of internal control system and quality of operational processes to improve such processes as well as control and reduce significant risks.



- Risk Owner

Risk owners, which are the product owners, departments, branches and units in the Group, are responsible for managing the different risks related to their operations, systems, products and services to be within acceptable risk levels in compliance with 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 relevant laws and regulations with an emphasis on working as a business partner in cooperation with business functions and other support functions within the Bank. While 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 which 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.

The Office of Compliance educates and provides advice and suggestions to business units to operate in compliance with changed laws and regulations requirements according to guidelines in conducting business and treating clients fairly as well as oversees non-compliance risks by forming compliance surveillance programs, including serving as the contact center for the Bank to coordinate with relevant authorities during official inspections and monitoring the Bank's operations to ensure corrective

procedures according to observations raised by the authorities. Also, the Office of Compliance has the duty to ensure that the Bank determines policies, rules and regulations in accordance with relevant laws and the Bank's Guidelines for Business Conduct.

## **2. Capital Market Business**

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

### **2.1 Securities and Derivative Brokerage**

PTSEC is the number six 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 2018, PTSEC ranked seventh in market share, accounting for 4.55% of the total trading value of the SET and mai combined (excluding proprietary trading) and generated revenue from brokerage fee in the amount of Baht 1,149.63 million. The proportion of revenues from institutional investors and high-net-worth individuals was 59.42% and 40.58% respectively.

Of the total institutional brokerage fee income earned in 2018 by PTSEC, local institutional client business accounted for 61.23%, comprising asset management companies, provident funds, private funds, the Government Pension Fund, the Social Security Office and insurance companies. As of December 31, 2018, PTSEC had forty-one local institutional clients which transacted at least once in the past year. Foreign brokerage income accounted for 38.77%, of which 57.63% 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 76.18 million, while income from securities borrowing and lending activities totaled Baht 22.64 million in 2018.

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 personal wealth planning and investment to mass affluent clients who have investible assets between Baht 2-30 million, using an online investment platform and investment advisors in the capacity to advise clients under Phatra Edge brand.

As of the end of 2018, the value of assets under advisory for all high-net-worth clients of PTSEC was Baht 474,967 million, from a client list of 16,818 accounts.

The table below illustrates the value of securities traded in the SET through PTSEC and the brokerage fee and market share of PTSEC as of December 31, 2018:

	Local Institutions	Foreign Institutions	High-Net-Worth Individuals
Total trading value of PTSEC (Baht Million)	245,191.02	678,628.00	205,029.50
Market share <sup>/1</sup> (%)	8.25 <sup>/2</sup>	6.60 <sup>/3</sup>	1.78
Brokerage fee (Baht Million)	418.29	264.84	466.50
Proportion of brokerage fee (%)	36.38	23.04	40.58

Source: SET and PTSEC

- Remark <sup>/1</sup> The market share is calculated based on the figures collected by PTSEC and data released by the SET.
- <sup>/2</sup> The market share of local and foreign institutions is calculated after deducting trading transactions of proprietary accounts.
- <sup>/3</sup> 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-six listed companies. PTSEC's equity research covers an aggregate market value of 74.5% 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 cooperation. Under the agreement, PTSEC's analysts produce research on the Thai economy and politics, as well as SET-listed securities, which are distributed to Merrill Lynch's clients under the 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, Star Petroleum Refining PCL, B.Grimm Power PCL, Osotspa PCL and Thailand Future Fund as well as 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 with Phyathai Hospital Group and Paolo Hospital Group, and the acquisition of Bank of Ayudhya PCL by the Bank of Tokyo Mitsubishi UFJ, Ltd.




In 2018, 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 businesses and advising on the issuance of financial instruments. PTSEC was chosen to be the financial advisor of PTT PCL, BTS Group Holdings PCL, Advanced Info Service PCL/ Advance Wireless Network Co., Ltd., Berli Jucker PCL and Dusit Thani PCL in their M&A activities, with a combined transaction size of more than Baht 33,000 million.

Company		Details of Project	Value (Baht Million)
	PTT PCL	Acquisition of ordinary shares in IRPC PCL equivalent to approximately 9.54% of total outstanding shares	13,845
	BTS Group Holdings PCL	Restructuring of BTS Group Holdings PCL's property business through an Entire Business Transfer of Unicorn Enterprise Co., Ltd. to U City PCL	12,917
	Advanced Info Service PCL/Advance Wireless Network Co., Ltd.	Voluntary tender offer and a tender offer for the delisting of CS Loxinfo PCL from the SET	4,525
	Berli Jucker PCL	Acquisition of ordinary shares in White Group PCL through a big lot order by Big C Retail Holding Co., Ltd., an indirect subsidiary of Berli Jucker PCL, equivalent to 50.24% of total outstanding shares	1,614
	Dusit Thani PCL	Acquisition of ordinary shares in NR Instant Produce Co., Ltd, equivalent to 25.98% of total outstanding shares (after the registration of capital increase)	663
	Dusit Thani PCL	Acquisition of ordinary shares in LVM Holdings Pte. Ltd., equivalent to 100.00% of total outstanding shares	495





For the equity market in 2018, PTSEC helped companies raise capital through the stock market for a total value of over Baht 80,000 million. PTSEC was appointed as a financial advisor and lead underwriter for the Thailand Future Fund, Osotspa PCL and Praram 9 Hospital PCL in their initial public offerings and was appointed as a book-runner for the overnight placements of Land and Houses PCL, Osotspa PCL, Beauty Community PCL and Sabina PCL.





Company	Details of Project	Value (Baht Million)
 Thailand Future Fund	Initial public offering	44,700
 Osotspa PCL	Initial public offering	15,094
 Land and Houses PCL	Overnight placement	10,647
 Osotspa PCL	Overnight placement	3,379
 Beauty Community PCL	Overnight placement	2,632
 Sabina PCL	Overnight placement	2,500
 Praram 9 Hospital	Initial public offering	2,208

In 2018, the fixed income business continued to grow from the previous year. PTSEC serviced corporate clients in twenty-five debt offerings with a total value of over Baht 196,000 million with details as follows:










Company	Details of Project	Value (Baht Million)
 Thai Beverage PCL	Unsubordinated unsecured debentures No.2/2018 and No.3/2018	77,000
 Thai Beverage PCL	Unsubordinated unsecured debentures No.1/2018	50,000
 CPN Retail Growth Leasehold REIT	Unsubordinated unsecured debentures No.1/2018	10,040
 B.Grimm Power PCL	Unsubordinated unsecured debentures No.1/2018	9,700



Company		Details of Project	Value (Baht Million)
	Bangchak Corporation PCL	Unsubordinated unsecured debentures No.2/2018	7,000
	WHA Premium Growth Freehold and Leasehold Real Estate Investment Trust	Unsubordinated unsecured debentures No.1/2018	4,200
	Muangthai Capital PCL	Unsubordinated unsecured debentures No.2/2018	3,397
	B.Grimm BIP Power 1 Co., Ltd.	Unsubordinated unsecured amortized debentures No.1/2018	3,350
	B.Grimm BIP Power 2 Ltd.	Unsubordinated unsecured amortized debentures No.1/2018	3,350
	Muangthai Capital PCL	Unsubordinated unsecured debentures No.3/2018	3,213
	Golden Land Property Development PCL	Unsubordinated unsecured debentures No.2/2018	3,000
	Kiatnakin Bank PCL	Unsubordinated unsecured debentures No.1/2018	3,000
	Kiatnakin Bank PCL	Unsubordinated unsecured debentures No.2/2018	3,000
	Muangthai Leasing PCL <sup>/1</sup>	Unsubordinated unsecured debentures No.1/2018	3,000
	Ananda Development PCL	Unsubordinated unsecured debentures No.1/2018 (Series 2)	2,500
	Sumitomo Mitsui Banking Corporation/ Bangkok Branch	Unsubordinated unsecured debentures No.1/2018	2,000

Remark <sup>/1</sup> Muangthai Leasing Public Company Limited changed its name to Muangthai Capital Public Company Limited on April 20, 2018.



Company		Details of Project	Value (Baht Million)
	JMT Network Services PCL	Unsubordinated unsecured debentures No.1/2018	1,500
	SENA Development PCL	Unsubordinated unsecured debentures No.1/2018	1,500
	Kiatnakin Bank PCL	Subordinated instruments intended to qualify as tier 2 capital No.1/2018	1,400
	Dusit Thani PCL	Unsubordinated unsecured debentures No.1/2018	1,000
	Thai Metal Trade PCL	Unsubordinated unsecured debentures No.1/2018	1,000
	JWD Infologistics PCL	Unsubordinated unsecured debentures No.1/2018	900
	Kiatnakin Bank PCL	Subordinated instruments intended to qualify as tier 2 capital No.2/2018	890
	L.P.N. Development PCL	Unsubordinated unsecured debentures No.1/2018	500
	L.P.N. Development PCL	Unsubordinated unsecured debentures No.2/2018	480

For 2019, 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 which 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 the 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 which 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 and evaluates the target companies' fundamental value, 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 the 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 the 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, market risk assessment will be conducted regularly. In addition, the Direct Investment Department regularly monitors the 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 must be approved by the Investment Committee.

As PHATRA highly emphasizes the protection against potential conflict of interest, especially on the use of internal information, it strives to avoid any conflict of interest between the 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 which differ from other investors. In addition, policies on the 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 2018, the Board of Directors of PHATRA set the net additional investment line for direct investment at 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 2018, the Direct Investment Department's portfolio had a market value of Baht 2,482 million. It generated a total loss of Baht 827 million, consisting of dividend income of Baht 99 million, realized gain of Baht 66 million and change in unrealized loss in the amount of Baht 992 million.

#### *Equity and Derivatives Trading*

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

##### 1) Arbitrage Trade

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 on 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. Trade is made under the 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

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 listed on the 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 the 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 and 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 which 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 purchase 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 the 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 and Derivatives Trading Department will have to reduce the exposure to meet the risk criteria within the defined timeframe.

For 2018, the department had a total cash limit for investment which was approved by the Board of Directors of PTSEC of not more than Baht 10,000 million and an extra maximum cash limit of Baht 5,000 million for arbitrage trade of which usage requires 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 a maximum Baht 10,000 million for arbitrage trade (allows transfers from other strategies due to the lower-risk nature) and an extra maximum cash limit of Baht 5,000 million for arbitrage trade of which usage requires approval from the Investment Committee; maximum Baht 300 million for system trade and maximum Baht 5,000 million for financial products and services (excluding proceeds from structured notes).

At the end of 2018, the department had net cash usage for investment of Baht 2,138 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 a systematic investment strategy together with quantitative analysis and risk management to get a return rate specified by the Investment Committee.

In terms of risk management, the Risk Management Committee has guidelines to monitor and review investment portion, Value at Risk (VaR) and statistical performance. It also sets the investment limit as per liquidity of the 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 2018, the department had an initial cash investment amount approved by the Board of Directors of PTSEC of not more than Baht 1,900 million. At the end of 2018, the department had net assets totaling Baht 1,638 million.

## 2) Advisory Business

The Hedge Fund Department provides an advisory service to PASSET using a 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 (2016-2018). PASSET's AUM as of December 31, 2016, was Baht 52,749 million, and it expanded to Baht 88,408 million, representing a growth of 68%, by the end of 2017. In 2018, PASSET experienced a 4% YoY increase in AUM, which stood at Baht 91,982 million on December 31, 2018 (including mutual funds of Baht 49,422 million, private funds of Baht 27,364 million and property funds of Baht 15,197 million).

PASSET has introduced a variety of products to broaden the scope of investment choices for investors. The new fund launched in 2018 was Phatra Global New Perspective fund–Hedged (PHATRA GNP-H), in addition to the Phatra Global New Perspective fund (PHATRA GNP) introduced in 2015, to provide investors with more choices to invest in global equity investments with currency hedging. Both PHATRA GNP-H and PHATRA GNP are Feeder funds which invest in Capital Group New Perspective Fund (LUX), a global equity fund managed by Capital Group.

PASSET also launched three Retirement Mutual Funds (RMF) in 2018 for investors who wish to diversify investments into various types of assets. The new RMFs include: 1) Phatra Global New

Perspective RMF Fund–Hedged (PHATRA GNP RMF-H), 2) Phatra Global New Perspective RMF Fund–Unhedged (PHATRA GNP RMF-UH) – both funds are Feeder funds investing in Capital Group New Perspective Fund (LUX) with different currency hedging strategy – and 3) Phatra Strategic Asset Allocation Retirement Mutual Fund (PHATRA SG-AA RMF) which invests both locally and globally in equities, fixed income securities and alternative assets.

In addition to the developments in PASSET's products, PASSET has continued to expand distribution channels in order to increase accessibility to PASSET's funds via selling agents. In 2018, PASSET extended the channels to include banks, with the open-architecture platform, and also added more life insurance companies (unit-linked) and securities companies to its selling agent list.

For the year 2018, PASSET received Best Fund House Award 2018 for the Domestic Equity category from Morningstar, Thailand and Best Mutual Fund of the Year 2018 for the Equity Retirement Mutual Fund from Money and Banking Magazine.

## 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, 2018, the Bank has sixty-five branches (excluding headquarters). The breakdown by geography is as follows:

Region	No. of Branches
Bangkok and vicinity	34
Central	6
East	7
Northeast	6
South	6
North	6
<b>Total</b>	<b>65</b>



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

In line with Thailand 4.0, the Bank sees the importance of providing sales and services through electronic channels, telephone channels and other online channels. The Bank has consistently adjusted its services throughout the year to constantly provide service innovations for the new generation.

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

- Online Banking Services:

- 1) KK e-Banking Service: An online banking system which provides essential banking services for clients to be able to access anywhere and anytime, which includes the consolidation of deposit accounts, transfer services including PromptPay, portfolio view for investment products as well as the ability to buy, sell and switch funds, bill payment, request to pay and QR code scan to pay.
- 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, QR code scan to pay, primary banking bulk account transfers including on-us, Interbank and PromptPay. It also provides services for car dealers and bill payment service for most products.

- Develop Banking as a Service: This is to extend banking services for external organizations to be able to connect and conduct financial transactions as well as bill payment.

- Develop the Market Place Platform: The platform enhances the ability to develop a website for marketplace which allows clients to search for products on the marketplace and services on the

HUBB platform. This platform is already available through the KK NPA website and the Bank plans to expand the usage to used cars, online insurances, personal loan, housing loan, new car and car auction. The Bank will also extend into mobile application for extra convenience for clients.

- KK ATM/Debit Chip Card: Clients can perform all kinds of transactions nationwide via the ATM pool and merchant stores which accept the China Union Pay Debit Chip Card. The Bank regularly launches campaigns to offer special discounts to cardholders. Four types of KK Debit Chip Cards are available (KK Value Card, KK Maxi Card, KK Trust Card and KK Project Card), which ties with different kinds of life/accident protection and clients can choose to match with their lifestyles.

- KK Mini ATM: An efficient ATM-like service which serves clients making a deposit/withdrawal/transfer via mini ATMs at all branches. Clients can use only the ATM/debit card (all banks accepted) to create and complete transactions without the need for cash or a passbook.

- KK Cash Deposit via ADM/CDM Machines and Post Office Branches: A convenient service which allows the Bank's clients to make cash deposits via any Cash Deposit Machine (CDM) or Post Office through the CDM pool and Post Office branches (nationwide) with over 1,400 locations available. The service substantially increases the Bank's distribution channels, providing further convenience to clients.

- PromptPay Service: Clients can easily register for PromptPay at the Bank's branches or via KK e-Banking and transfer money. PromptPay is a new money transfer service developed in line with the national e-Payment strategy by the government. PromptPay is more convenient than the regular transfer service as clients can use either their mobile phone, national ID card or e-Wallet number as an alias to their bank account.

- Mobile Phone Channel Services: Includes KK Smart SMS service, an automated system providing SMS transaction alerts to clients' mobile phones, and 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, dropping lead function, push-notification for promotions, car auction schedule, car installment notification, tax alert and insurance alert and also the loan withdrawal limit for hire purchase clients.

- Inward Remittance Service: For any transactions transferred from overseas to any bank account in Thailand or recipients, clients can collect cash at the Bank's branches nationwide.

- Loan Payment/Bill Payment Services: Through the Bank's branches and electronic channels, e.g. mobile banking, internet banking and ATM/CDM. The Bank also expanded payment channels by partnering with BigC and CenPay as well as cross bank bill payment to be the Bank's alternative payment channel for clients.

- KK Smart Invest Service: Investment service where clients can plan savings by investing at a fix amount weekly, monthly or quarterly. Clients can also make investment plans by setting a maximum value to invest or setting a minimum value to sell their investments to optimize returns to deposit accounts while maintaining financial liquidity through the auto sweep service.

- KK operates telephone service and contact center to serve clients' inquiries and transactions via phone service (IVR: Interactive Voice Response) and KKP Contact Center agents. The Bank launched many new services of the KKP Contact Center, including cross-sell/up-sell via the telesales channel, aiming to increase convenience and be an alternative and a user-friendly channel for clients.

1) KKP Contact Center - 02-165-5555:

An intelligent contact center capable of providing more than just answering simple questions. This is an extra e-Service which can recommend suitable products to clients through the IVR automated system which requires verification of the clients' information before proceeding further. The significant development of the KKP Contact Center are as follows:

- Extending client base to be able to access and do more self-service processes through the automated system, providing more convenience and security.
  - Activate debit card and cash card (self-service).
- 2) KKP Assets for Sales Contact Center - 02-165-5577: Provide online information for clients to inquire about assets, loan calculation and loan request as well as promotions and news.
  - 3) KKP Biz Contact Center - 02-165-5599: Better serve corporate clients and partners, such as car dealers. Business hours are Mondays to Fridays from 8 AM to 6 PM.
  - 4) The Bank also has alternative distribution channels with a full team of direct sales agents to offer personal loans, housing loans and SME loans to potential clients.
- The Bank values the power of online access, thus providing various 'own' online media which match clients' behaviors and lifestyles to develop a strong engagement between clients and the Bank.
- 1) KK Website ([www.kiatnakin.co.th](http://www.kiatnakin.co.th)): The Bank revamped its website to be more client-friendly. It includes centralizing information of the Bank's products, services, promotions, tools and knowledge to fully help support clients' financial decisions. Clients can easily drop requests or questions for the Bank to give a personalized and timely feedback as well as collect clients' feedback in order to improve the Bank's products, processes and services.
  - 2) KK Social Media: The Bank provides official social media such as Facebook @kiatnakinlive, Twitter @kiatnakinlive, LINE @kiatnakinlive and YouTube @kiatnakinlive to reach and engage target groups and prospective clients by posting content of the Bank's products, services, promotions, news, videos and money/investment articles available 24 hours. Clients can also contact the Bank's representatives during working hours through Line @kkplive and Line @kkloan.



- 3) KK e-Newsletter: KK e-Newsletter or KK FLASH is sent via email. The content consists of KK products, services, promotions, news and articles which match the interests of clients.
- 4) KK Magic Mirror: An innovative digital banking service originating from the idea of the story Snow White where the question, “Mirror mirror on the wall, who is the fairest of them all,” was asked. The idea translated from answers on beauty into answers on investment services through KK Magic Mirror – an interactive service providing ease of access to various investment information. Financial consultations are also available through a video call with the Bank’s representatives.

- KK Virtual Branch: In keeping with technological advancement and Thailand 4.0, the Bank has developed a new innovative service, the “KK Virtual Branch.” The service provides almost the same feeling as when clients walk into an actual branch through a touch screen. KK Virtual Branch’s current services include opening new accounts, making transfers within KK and interbank transfers, including through PromptPay, and showing the current portfolio of the client. KK Virtual Branch can also perform a video call function with the Bank’s representatives for inquiries which clients may have.

Branch	Address	Phone
<b>Bangkok and Vncity</b>		
Asoke	209 KKP Tower A, Sukhumvit 21 (Asoke), Khlong Toey Nua, Wattana, Bangkok 10110	02-165-5555
Seacon Square Srinakarin	55 Seacon Square Shopping Centers, 3rd Fl., Srinakarin Road, Nongbon, Pravat, Bangkok 10250	02-165-5555
The Mall Bangkai	518 The Mall Bangkai, 3rd Fl., Phetkasem Road, Bangkai Nue, Bangkai, Bangkok 10160	02-165-5555
Yaowarat	434, 436 Yaowarat Road, Samphanthawong, Bangkok 10100	02-165-5555
Siphaya	78 Trok Captain Bush (Charoen Krung 30), Bangrak, Bangkok 10500	02-165-5555
Suksawas	178, 180, 182 Suksawas Road, Bangpakok, Ratburana, Bangkok 10140	02-165-5555
Major Ratchayothin	234/2 Major Avenue Ratchayothin, Room B113, 1st Fl., Ratchadaphisek Road, Latyao, Chatuchak, Bangkok 10900	02-165-5555
Silom	323 United Center Building, 2nd Fl., Silom Road, Silom, Bangrak, Bangkok 10500	02-165-5555
The Mall Bangkok	3522 The Mall Bangkok, 2nd Fl., Ladprao Road, Khlong Chan, Bangkok, Bangkok 10240	02-165-5555
Central Festival Eastville	69, 69/1, 69/2, 69/4 Central Festival Eastville, 3rd Fl., Praditmanutham Road, Ladprao, Bangkok 10230	02-165-5555
Charoen Krung	273/8 Charoen Krung Road, Pom Prap, Pom Prap Sattru Phai, Bangkok 10100	02-165-5555
Central Plaza Pinklao	7/222 Central Plaza Pinklao, 4th Fl., Boromratchonnani Road, Arun-Amarin, Bangkoknoi, Bangkok 10700	02-165-5555
Central Plaza Rama 3	79 Central Plaza Rama 3, 4th Fl., Satupradit Road, Chong Nonsi, Yannawa, Bangkok 10120	02-165-5555
Thong Lor	331/2-3 Soi Sukhumvit 55 (Thong Lor), Sukhumvit Road, Khlong Ton Nue, Wattana, Bangkok 10110	02-165-5555
Phaholyothin Place	408/4 Phaholyothin Place Building, 1st Fl., Phaholyothin Road, Samsen Nai, Phaya Thai, Bangkok 10400	02-165-5555
Rama IV	1032/7-8, 1st Fl., and 1032/7-9, 2nd Fl., Rama IV Road, Thungmahamek, Sathorn, Bangkok 10120	02-165-5555
The Mall Thapra	129 The Mall Thapra, 2nd Fl., Ratchadapisek Road (Thapra-Taksin), Bukkaloo, Thonburi, Bangkok 10600	02-165-5555
Mahanak	1082/5 Boe Bae Mini Office Tower, 1st - 3rd Fl., Krung Kasem Road, Mahanak, Pom Prap Sattru Phai, Bangkok 10100	02-165-5555
Fashion Island	587, 589, 589/7-9 Fashion Island Shopping Mall, Ramintra Road, Kannayao, Bangkok 10230	02-165-5555
Central Plaza Bangna	587, 589 Central Plaza Bangna, 4th Fl., Debaratana Road, Bangna Nuea, Bangna, Bangkok 10260	02-165-5555
Paradise Park	61 Paradise Park, 2nd Fl., Srinakarin Road, Nongbon, Pravat, Bangkok 10250	02-165-5555
Siam Paragon	991 Siam Paragon (Room no. 349), 3rd Fl., Rama 1 Road, Pathumwan, Bangkok 10330	02-165-5555
Seacon Bangkok	607 Seacon Bangkok (Room no. 332), 3rd Fl., Petchakasem Road, Bangwha, Phasicharoen, Bangkok 10160	02-165-5555
Bang Bon	265 Ekachai Road, Bangbon, Bangkok 10150	02-165-5555
Wongwian 22 Karakada	132 Mittraphan Road, Pom Prap, Pom Prap Sattru Phai, Bangkok 10100	02-165-5555
Muang Thai - Phatra Complex Building	252/203 Muang Thai - Phatra Complex Building, 2nd Fl. (Plaza Zone), Ratchadapisek Road, Huaykwang, Bangkok 10310	02-165-5555
Central World	4, 4/1-2, 4/4 Central World, 4th Fl., Rachadamri Road, Pathumwan, Bangkok 10330	02-165-5555



Branch	Address	Phone
Central Plaza Lardprao	1697 Central Plaza Ladprao, 2nd Fl., Phaholyothin Road, Chatuchak, Bangkok 10900	02-165-5556
Nakhon Pathom	194/40-42 Ratchawithe Road, Tambon Phra Pathom Chedee, Amphoe Muang, Nakhon Pathom 73000	02-165-5555
Samut Prakan	89/8-10 Moo.5, Tambon Bang Muang, Amphoe Muang, Samut Prakarn 10270	02-165-5555
Future Park Rungsit	94 Future Park Rungsit, 2nd Fl., Phaholyothin Road, Prachatipat, Ampoe Thanyaburi, Pathum Thani 12130	02-165-5555
Nonthaburi	68/30-32 Moo.8, Tambon Bangkrasor, Amphoe Muang, Nonthaburi 11000	02-165-5555
Samut Sakhon	1400/98-101 Ekachai Road, Tambon Mahachai, Amphoe Muang, Samut Sakhon 74000	02-165-5555
Central Plaza Westgate	199, 199/1, 199/2 Moo.6, Central Plaza Westgate (Room no. 335), 3rd Fl., Tambon Sao Thong Hin, Amphoe Bang Yai, Nonthaburi 11140	02-165-5555
Central		
Ratchaburi	286/25-28 Srisuriyawong Road, Tambon Na Muang, Amphoe Muang, Ratchaburi 70000	02-165-5555
Saraburi	56/9 Sud Banthad Road, Tambon Pak Phrao, Amphoe Muang, Saraburi 18000	02-165-5555
Kanchanaburi	275/1-2 Saeng Chotoh Road, Tambon Baan Nua, Amphoe Muang, Kanchanaburi 71000	02-165-5555
Hua Hin	39-39/1 Chomsin Road, Tambon Hua Hin, Amphoe Hua Hin, Prachuap Khiri Khan 77110	02-165-5555
Suphan Buri	290/3-6 Moo.4, Tambon Sanamchai, Amphoe Muang, Suphan Buri 72000	02-165-5555
Phra Nakhon Si Ayutthaya	100 Moo.1, Tambon Pailing, Amphoe Phra Nakhon Si Ayutthaya, Phra Nakhon Si Ayutthaya 10300	02-165-5555
East		
Chon Buri	342 Wachirapakan Road, Tambon Bang Pla Soi, Amphoe Muang, Chon Buri 20000	02-165-5555
Central Plaza Rayong	99-99/1 Central Plaza Rayong, 2nd Fl., Bangna-Trat Road, Tambon Choengnoen, Amphoe Muang, Rayong 21000	02-165-5555
Chanthaburi	29/1-2, 29/3, 29/4 Moo.7, Tambon Chantanimit, Amphoe Muang, Chanthaburi 20000	02-165-5555
Chachoengsao	508, 510 Chachoengsao-Bang Pakong Road, Tambon Na Muang, Amphoe Muang, Chachoengsao 24000	02-165-5555
Pattaya	47/70 Moo.9, Pattaya Klang Road, Tambon Nong Prue, Amphoe Bang Lamung, Chon Buri 20150	02-165-5555
Sa Kaeo	330 Suwansorn Road, Tambon Sa Kaeo, Amphoe Muang, Sa Kaeo 27000	02-165-5555
Sriracha	6-8 Sriracha Nakorn Road 3, Tambon Sriracha, Amphoe Sriracha, Chon Buri 20110	02-165-5555
Northeast		
Nakhon Ratchasima	952, 954, 956, 958, 960 Mittraphap Road, Tambon Nai Muang, Amphoe Muang, Nakhon Ratchasima 30000	02-165-5555
Khon Kaen	9/2 Prachasamosorn Road, Tambon Nai Muang, Amphoe Muang, Khon Kaen 40000	02-165-5555
Sunee Tower	512/8 Sunee Tower, 1st Fl., Chayangkul Road, Tambon Nai Muang, Amphoe Muang, Ubon Ratchathani 34000	02-165-5555
Udon Thani	215/25, 215/27 Udon Dusadee Road, Tambon Mak Keng, Amphoe Muang, Udon Thani 41000	02-165-5555
Surin	179, 181 Thanasan Road, Tambon Nai Muang, Amphoe Muang, Surin 32000	02-165-5555
Nong Khai	527-528 Moo.7, Tambon Nai Muang, Amphoe Muang, Nong Khai 43000	02-165-5555
South		
Hat Yai	20/1 Ratyindee Road, Tambon Hat Yai, Amphoe Hat Yai, Songkhla 90110	02-165-5555
Surat Thani	22/144-146, Raj-Uthit Road, Tambon Talad, Amphoe Muang, Surat Thani 84000	02-165-5555
Nakhon Si Thammarat	111, 111/1-4 Pattanakarn Kookwang Road, Tambon Klung, Amphoe Muang, Nakhon Si Thammarat 80000	02-165-5555
Phuket	63/714-716 Moo.4, Tambon Vichit, Amphoe Muang, Phuket 83000	02-165-5555
Krabi	254, 254/1, 254/2 Moo.11, Tambon Krabi Noi, Amphoe Muang, Krabi 81000	02-165-5555
Trang	59/12-14 Huay Yod Road, Tambon Thap Thieng, Amphoe Muang, Trang 92000	02-165-5555
North		
Phitsanulok	286/10 Pichaisongkram Road, Tambon Nai Muang, Amphoe Muang, Phitsanulok 65000	02-165-5555
Chiang Mai	33 Chiang Mai-Lampang Road, Tambon Chang Phueak, Amphoe Muang, Chiang Mai 50300	02-165-5555
Nakhon Sawan	1311/18-21 Moo.10, Tambon Nakornsawan Tok, Amphoe Muang, Nakhon Sawan 60000	02-165-5555
Chiang Rai	102, 102/1-3 Moo.13, Tambon Rob Wieng, Amphoe Muang, Chiang Rai 57000	02-165-5555
Lampang	142-144 Highway-Lampang-Ngua, Tambon Phra Bat, Amphoe Muang, Lampang 52000	02-165-5555
Central Festival Chiang Mai	99, 99/1, 99/2 Central Festival Chiang Mai, Moo.4, Super Highway Road, Tambon Fah Ham, Amphoe Muang, Chiang Mai 50000	02-165-5555





## 2. PTSEC

The sales and service channel of PTSEC is through its head office at 6<sup>th</sup>, 8<sup>th</sup>-11<sup>th</sup> Floor, Muang Thai-Phatra Office Tower 1, 252/6 Rachadapisek Road, Huaykwang, Bangkok 10310 (Tel. 0-2305-9000). Additionally, service 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<sup>th</sup> Floor, Muang Thai-Phatra Complex Building A, 252/25 Ratchadapisek Road, Huaykwang, Bangkok 10310 (Tel. 0-2305-9800). Distribution is carried out through thirty-seven selling agents of which five are commercial banks, twenty-three are securities companies, two are asset management companies, two are securities brokerages of investment units and five 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

As of the end of 2018, the total assets of the fourteen domestically-registered commercial banks were recorded at Baht 17.2 trillion, expanding at 3.1% YoY compared to a growth rate of 5.1% YoY in 2017. This deceleration was driven by the slowing asset growth of the four largest banks (accounting for roughly 65% of market share) at 2.2% YoY. Medium- and small-sized banks saw their assets increase by 3.4 and 7.1%, respectively, from the year earlier.

Table presents assets, deposits and net loans of Thai commercial banking system as of the end of December 2018.

No.	Thai Commercial Bank	Assets		Deposits		Loans (Net Allowance for Doubtful Account)	
		Baht Million	Market Share (%)	Baht Million	Market Share (%)	Baht Million	Market Share (%)
1.	Bangkok Bank	3,008,242	17.5	2,262,490	18.0	1,875,908	16.1
2.	Krung Thai Bank	2,656,181	15.4	2,042,948	16.2	1,823,362	15.6
3.	Siam Commercial Bank	2,860,127	16.6	2,156,936	17.2	2,022,277	17.3
4.	Kasikorn Bank	2,641,150	15.3	1,991,423	15.8	1,725,325	15.0
5.	Bank of Ayudhya	2,049,902	11.9	1,420,893	11.3	1,502,571	12.9
6.	Thanachart Bank	1,060,929	6.2	751,917	6.0	730,468	6.3
7.	Thai Military Bank	888,151	5.2	649,575	5.2	652,714	5.6
8.	UOB Bank	525,142	3.0	405,299	3.2	372,178	3.2
9.	TISCO Bank	302,562	1.8	193,108	1.5	228,981	2.0
10.	CIMB Thai	350,377	2.0	185,215	1.5	209,094	1.8
11.	Standard Chartered Bank	151,860	0.9	61,351	0.5	32,449	0.3
12.	Kiatnakin Bank	295,137	1.7	182,206	1.4	220,160	1.9
13.	Land and House Bank	238,658	1.4	168,171	1.3	158,118	1.4
14.	ICBC (Thai)	199,700	1.2	102,142	0.8	106,306	0.9
<b>Total</b>		<b>17,228,118</b>	<b>100.0</b>	<b>12,573,675</b>	<b>100.0</b>	<b>11,686,910</b>	<b>100.0</b>
4 large-sized commercial banks		11,165,700	64.8	8,453,797	67.2	7,473,872	64.0
3 medium-sized commercial banks		3,998,982	23.2	2,822,385	22.4	2,885,752	24.7
7 small commercial banks		2,063,436	12.0	1,297,492	10.3	1,327,286	11.4

Source : Summary Statement of Assets and Liabilities (C.B.1.1) as of December 2018, the Bank of Thailand



Outstanding commercial bank loan was at Baht 11.7 trillion by the end of 2018, growing by 5.2% YoY, which improved slightly from the 4.4% growth rate in 2017. Most of the increase in bank loans was driven by consumer loan growth in line with an improvement in domestic demand conditions, particularly domestic consumption.

Despite a pick-up in economic growth momentum in 2018, overall bank asset quality has not improved as reflected by the ratio of non-performing loans (NPLs) at 2.93% compared with 2.91% in 2017. Nevertheless, the Thai banking system remained sound with a high level of loan loss provisions and capital which would provide a cushion for the future risk of deteriorating loan quality. The overall provisions of the banking system stood at Baht 652 billion by the end of 3Q2018, increasing by Baht 50 billion from the end of 2017. The loan loss coverage ratio rose from 171.9% in 2017 to 190.7% in 2018 as a result.

Deposits grew at 3.9% compared with 6.5% a year earlier. The slower pace of deposit growth reflected ample liquidity in the banking system which continued to support loan expansion.

The net profit of the Thai commercial banks during the first nine months of 2018 continued to see a positive growth compared to the same period in the previous year. This was mainly attributable to net income from lending and investment activities, while bank profitability on non-interest income was still under pressure as a result of the implementation of market conduct regulation, the lifting of digital transaction fees starting from March 2018 and a switch to the online banking platform by clients.

#### *Banking Industry Outlook*

The banking sector is likely to slow down in 2019 given several headwinds to the Thai economy. These include: 1) a weakening macroeconomic outlook amid growing downside risks to external demand, while growth in domestic demand is capped by falling farm income as well as political uncertainty. Uncertainties on both the external and domestic fronts might affect consumer and investor sentiment and remain an important risk factor to this

year's loan growth and asset quality. 2) Heightened competition and technological changes in the financial industry as well as an increase in banking regulations will impact the commercial banking business by reducing profitability (particularly on non-interest income) and increasing investment spending on technological improvements. 3) The tightening of financial conditions as a result of policy rate normalization by major central banks would affect commercial banks' funding cost going forward.

#### *2. Auto Hire Purchase Business*

The amount of domestic car sales continued to recover during 2018 to reach 1.04 million units or expanding 19.5% YoY. Of this, commercial vehicle sales rose 22.2% YoY while passenger car sales increased 15.4% YoY. This partly resulted from the low base in the prior year, the effect of changing car ownership after the five-year holding period from the first-car buyer scheme was over and continuous promotions and marketing campaigns.

The continuing expansion in the automobile market was visible in two categories, which are: 1) eco-car and C-segment (engine 1,500-1,800 CC) which increased robustly at 38.3% YoY and 30.1% YoY, respectively during January-November 2018 and 2) commercial vehicles with double cab which continued to recover with 32.1% YoY growth.

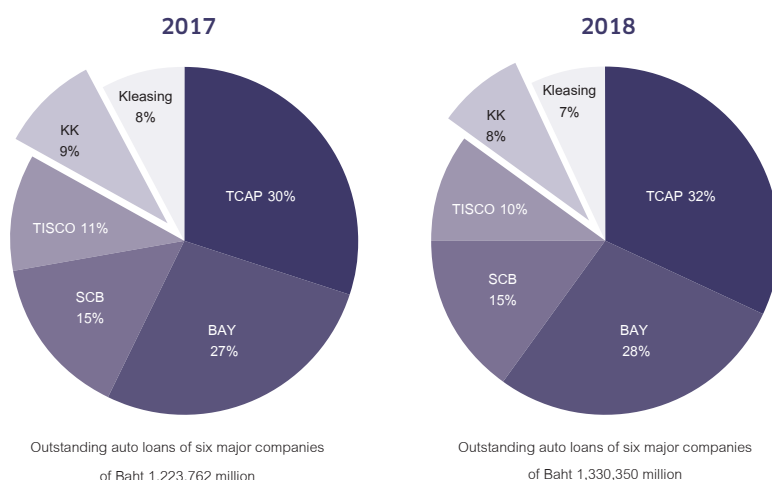
Sales of used cars in 2018 were adversely affected by a slower pace of macroeconomic expansion, reduced purchasing power of farmers due to falling agricultural prices (particularly sugarcane and rubber) which strained financial situations and the worsened debt burden of high-debt households. Commercial banks also remained cautious towards loan quality and in expanding new auto loans. In addition, the used-car market was impacted from the excess supply of used cars which put a downward pressure on prices, as well as the declining demand for second-hand cars as automobile marketing campaigns motivated buyers to purchase new cars instead.

The outstanding amount of auto hire purchase loans (excluding personal loans collateralized by cars such as CarQuickCash) in 3Q2018 was at Baht



1,036,924 million, increasing by 12.5% YoY compared with 8.4% YoY at the end of 2017. This strong growth was in line with the robust growth rate of car sales in 2018. Auto loan quality remained stable as reflected in the NPL ratio of 1.57% as of 3Q2018 compared to 1.60% at the end of 2017.

Of the total outstanding auto loan (including personal loans collateralized by cars such as CarQuickCash) extended by the six largest car loan lenders (Thanachart Bank, Bank of Ayudhaya, Siam Commercial Bank, Tisco Bank, Kiatnakin Bank and Kasikorn Leasing), the market share of Kiatnakin Bank reduced slightly from 9% at the end of 2017 to 8% at the end of 2018. The market shares of the six largest car loan lenders at the end of 2017 and 2018 are shown below.



(Note that Kasikorn Leasing's loan amount is as of the end of the fiscal year ended on June 30, 2018.)

#### Outlook of Auto Hire Purchase Business

The automobile hire purchase business in the banking sector is expected to expand in 2019 in line with a projected growth in domestic new car sales. Supporting factors include: 1) the constant flow of automobile marketing campaigns to promote new car models, 2) public infrastructure investment and government stimulus measure which may lend support to new commercial car purchases, 3) a recovery of private sector investment and 4) potential relocation of foreign direct investment to Thailand.

The growth rate of new car sales and auto hire purchase loans is, however, likely to moderate in 2019 compared to last year as the benefit from the car-changing cycle after the first-car buyer scheme has come close to an end. In addition, downside risks to the overall macro economy may also weigh on the automobile industry and the auto hire purchase business. This includes: 1) the weakening growth outlook due to the United States-China trade tensions which may impact external demand, 2) volatilities

in oil and other commodity prices as a result of the global growth slowdown especially the Chinese economy, 3) volatile farm income and high level of household debt which may constrain domestic consumption and 4) political uncertainty pertaining to the upcoming general election which may put private investment and consumption in the wait-and-see mode for the first half of 2019. Given uncertainties on several fronts, Thai commercial banks may be relatively more cautious towards auto loan expansion in 2019 compared to the previous year.

#### 3. Real Estate Business

In 2018, the real estate industry strengthened from the previous year, underpinned by the overall economic expansion and public investment projects which started to show further progress. This could be seen from the construction of mass transit routes, particularly in Bangkok and its vicinity as well as in eastern provinces which benefited from the development of the Eastern Economic Corridor



(EEC) project as it created new locations for entrepreneurs and those who are interested in purchasing residence in the area.

On the supply side, new loans for developing real estate projects rose to Baht 24,945 million from Baht 16,539 million in 2017. This was consistent with the increase in new project launches, largely from low-rise properties in Bangkok and its vicinity during 3Q2018 which expanded in terms of the number of projects (+15%), the number of units (+28.5%) and project value (+32.6%) when compared to the same period in the prior year.

On the demand side, new mortgage loans increased 13.3% YoY to Baht 184,923 million during 3Q2018 while ownership transfers rose to 265,180 units (+18.6% YoY), mainly concentrated in Bangkok and its vicinity (+21.8% YoY) and the eastern region (+26.8% YoY).

The number of housing transfers accelerated in the last quarter of 2018 and is expected to be robust through 1Q2019 before slowing from 2Q2019 onwards, partly as a result of the Bank of Thailand's macro-prudential measures on mortgage loans which will be effective on April 1, 2019.

#### *Outlook of Real Estate Business*

The real estate business in 2019 is likely to slow down from 2018 from various risks including: 1) the implementation of the Bank of Thailand's macro-prudential measures on April 1, 2019 which could negatively impact 2H2019 due to the front-loading of housing transfers before the implementation, 2) the combination of Thailand's economic slowdown and high level of household debt which could weigh on domestic demand, 3) a plausible increase in interest rates which would lead to higher financial costs for businesses and affect buyers' ability to pay, 4) political uncertainty which may impact business and consumer confidence and 5) a slowdown in the global economy especially China which will have an effect on foreigners' housing demand in Thailand as it has contributed to the real estate sector's performance during the past years.

4. Capital Market Business and Securities and Derivatives Brokerage Business

Despite a good start, 2018 turned out to be a very challenging and volatile year for global investment. Only USD and cash generated positive returns for the year. This was completely different from 2017 when most asset classes were performing on the back of a synchronized growth and low interest rate environment. The key market headwinds in 2018, which will likely continue in 2019, include the global growth slowdown, the transition from quantitative easing (QE) to quantitative tightening (QT) and rising United States' rates, the uncertainty over the trade tension between the United States and China and the emerging market vulnerability. Major stock markets across the world suffered their worst calendar year in 2018 since the financial crisis in 2008. The United States' markets were down 4-6%. Emerging markets, Asia-ex Japan and European equities all fell 15-16% while China's Shanghai composite index fell over 28%.

For Thailand, against the relatively strong GDP, the SET index was down 11% YoY in 2018. Local institutions and local individuals were net buyers of Baht 184.26 billion and Baht 118.46 billion respectively while foreign investors were net sellers at a record high of Baht 287.46 billion, followed by proprietary trading of Baht 15.27 billion.

Related to external factors mentioned above, crude oil prices collapsed and Thai export growth started to decelerate in 2H2018. Tourism also had a headwind from a material slowdown in Chinese tourist arrivals since the Phuket boat incident in July 2018. Credit cycle and inflation have shown no signs of material improvement. Corporate profit growth was weakening on a broad base. Only the healthcare and finance sectors posted a positive return in 2018 of 6% and 3% respectively.

In 2018, the SET and mai's average daily securities trading value increased 15% YoY. Foreign participation increased from 30.23% last year to 36.39% while retail individuals decreased from 48.31% to 40.81% this year. Despite a relatively stabilized pricing pressure on high-touch trade executions, 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 slightly declined from 4.69% in 2017 to 4.55% in 2018. PTSEC's share of local brokerage decreased from 9.20% in 2017 to 8.25% in 2018 while the market share of foreign institutional brokerage decreased from 7.46% in 2017 to 6.60% in 2018 and the market share of high-net-worth clients dropped from 1.92% in 2017 to 1.78% in 2018.

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

	2017	2018
Average daily securities trading value of the SET and mai (Baht Million)	50,113.72	57,673.79
Trading value of the SET and mai by investor type		
Foreign investors (%)	30.23	36.39
Local institutions (%)	11.01	10.52
Local individuals (%)	48.31	40.81
Proprietary trading (%)	10.45	12.28
Average daily securities trading value of PTSEC (Baht Million)	5,729.12	6,724.04
Market share of PTSEC (excluding proprietary trading) (%)	4.69	4.55
Market share-foreign investors (%)	7.46	6.60
Market share-local institutions (%)	9.20	8.25
Market share-high-net-worth clients (%)	1.92	1.78
Ranking	5	7

Source: SET and PTSEC

For TFEX, there was a 32% increase in volume YoY with the average number of contracts traded rising from 323,732 contracts per day in 2017 to 426,213 contracts per day in 2018. The market witnessed an increase in trading volume across all product offerings. The SET50 Index futures saw the biggest jump in absolute term, helped by a spike in market volatility. While single stock futures continued to see consecutive volume growth YoY since its inception, growth decelerated to a modest 16% in 2018 compared to 40% in 2017 and 72% in 2016.





PTSEC's market share on TFEX decreased from 9.59% in 2017 to 8.01% in 2018.

#### TFEX Market Summary

	2017	2018
Number of contracts	78,990,574	104,422,200
Trading volume of PTSEC (No. of contracts)	15,143,754	16,724,828
Trading value of PTSEC (Baht Million)	799,202.29	1,150,000.59
Market share of PTSEC (%)	9.59	8.01

Source: SET

#### 5. Investment Banking Business

Securities firms continue to focus on the investment banking business with the aim to increase fee revenue and support their securities brokerage business. As of December 2018, there were seventy-five companies which have been granted licenses to operate financial advisory services and are currently in the business, while forty-two 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 increasingly competitive environment, PTSEC has maintained its leading position and has continuously been trusted to advise clients in their restructurings and mergers and acquisitions. In 2018, PTSEC was appointed as a financial advisor of PTT PCL in its Baht 13,845 million acquisition of ordinary shares in IRPC PCL from the Government Savings Bank, equivalent to approximately 9.54% of total outstanding shares.

In addition, PTSEC was appointed as a financial advisor of BTS Group Holdings PCL in its Baht 12,917 million restructuring of its property business through an entire business transfer of Unicorn Enterprise Co., Ltd., which is a wholly-owned subsidiary of BTS Group Holdings PCL, to U City PCL. Moreover, PTSEC also advised and served other several prominent companies including Advanced Info Service PCL/Advance Wireless Network Co., Ltd., Berli Jucker PCL and Dusit Thani PCL.

With its superior strength, structuring expertise and exceptional distribution capability, PTSEC remains a leading player in capital market transactions. In 2018, PTSEC was appointed as a financial advisor and lead underwriter of the Thailand Future Fund for its initial public offering with a total offering size of Baht 44,700 million. This deal also received the Best Thailand Deal award from Finance Asia.

In addition, PTSEC was appointed as a financial advisor and lead underwriter of Osotspa PCL and Param 9 Hospital PCL in their Baht 17,302 million initial public offerings and was appointed as a book-runner for overnight placements for Land and Houses PCL, Osotspa PCL, Beauty Community PCL and Sabina PCL for a total offering size of Baht 19,158 million.

Moreover, PTSEC has been actively involved in debenture offerings during the year. PTSEC's fixed income business has been growing steadily since the introduction of the debt capital market services in 2012 and PTSEC is now becoming one of the key players in the debenture offering market. In 2018, PTSEC serviced corporate clients in twenty-five debt offerings with a total value of over Baht 196,000 million.



## 6. Asset Management Business

In 2018, there were twenty-three asset management companies under the supervision of the SEC. Industry AUM (only mutual funds) stood at Baht 5.05 trillion, registering a growth of 0.77% relative to Baht 5.01 trillion in the previous year (Source: AIMC as of January 8, 2019).

Fixed-income funds represented the largest share of the industry's AUM, ending the year 2018 at Baht 2.51 trillion or 49.60% of the total AUM. Equity Funds stood at Baht 1.44 trillion or 28.40% of the total AUM. Continued growth was seen in the retirement mutual fund segment, ending the year approximately at Baht 0.25 trillion or a growth of 2.54% from 2017. Meanwhile, the long-term equity fund category ended the year approximately at Baht 0.38 trillion, declining 3.77% from 2017.

Private funds also demonstrated a persistent growth trend with intensifying competition. As of the end of December 2018, the whole industry AUM was around Baht 0.99 trillion (Source: AIMC as of January 24, 2019), representing a growth of 17.65% relative to the end of 2017.

In 2018, PASSET launched Phatra Global New Perspective Fund–Hedged (PHATRA GNP-H), Phatra Global New Perspective RMF Fund–Hedged (PHATRA GNP RMF-H), Phatra Global New Perspective RMF Fund–Unhedged (PHATRA GNP RMF-UH) and Phatra Strategic Asset Allocation Retirement Mutual Fund (PHATRA SG-AA RMF) to broaden the scope of investment choices for investors.

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 risk factors do not reflect risk factors of normal business operations of the Group. Furthermore, there may be risks the Group is not aware of or risks the Group currently considers insignificant which may become significant in the future. These risks may significantly affect the Group's business, revenue, profit, asset, liquidity or source of funds.

### *1. Changes in domestic and international economies may directly impact the Bank's and Group companies' business.*

The business of the Bank and Group companies relies on domestic and international economies which had expanded since late 2017 until the first half of 2018. The United States' economy grew from strong fundamental economic factors and fiscal stimulus, resulting in its labor market overheating (unemployment rate was the lowest in 49 years). Meanwhile, the inflation rate rose to the target level, leading to a gradual policy rate increase and the Federal Reserve (FED) balance sheet normalization. However, in the second half of 2018, tightened global financial conditions and tension from the United States-China trade war had impacted developing countries. Fluctuation and pressure on currencies and asset prices occurred via capital outflows from emerging markets, especially countries with vulnerability in international stability. This forced some central banks in this region to have to increase their policy rates.

Global economic growth should face a slowdown in 2019 driven by 1) an increasingly intense United States-China trade war (including conflicts over intellectual property and technology), which will impact the global supply chain and the global trading volume, 2) China's financial stability undermining its economic growth and forcing the government to have to continue its expansionary monetary policy,

3) European political situation such as the volatility of Brexit and Italy's 2019 budget plan which was rejected by European Union (EU) and will most likely lead to Excessive Deficit Procedure (EDP) and 4) tension in the Middle East resulting from the United States' sanction on Iran and withdrawal from the Organization of the Petroleum Exporting Countries (OPEC) presumably causing oil price fluctuations in the future.

Thailand's economy had expanded in the first half of 2018 driven by internal and external factors. However, it had decelerated in the second half of the year as a result of weakening export growth from the global economic slowdown and a plunge in Chinese tourist arrivals after the tourist boat incident in Phuket.

In 2019, Thailand's economy will continue to be challenged by the global economic slowdown and declining economic growth of China and trading partners. Although the number of Chinese tourist arrivals is expected to increase in the first quarter of 2019, Thailand's tourism growth is expected to grow less than the first half of 2018. In addition, the FED's monetary policy will continue to influence global financial conditions and possibly impact financial markets and create volatility in the currency market. Furthermore, political instability in Thailand may impact investment in 2019.

In order to manage all the aforementioned risks, the Group will continually monitor and analyze events which may affect the Group, improve the asset and liability structure, revise its loan approval criteria guideline to improve loan quality, continue to incorporate risk management in its business operations, conduct stress tests and prepare stress mitigation planning.

However, the volatility in domestic and global economies as well as the impact from state policies are uncontrollable. The Group cannot guarantee that when such events occur, they will not have a significant effect on the Group.



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

To achieve strategic goals of the Group, the Group needs to consistently improve and develop its business operations. For instance, the development of new products, enhancement of 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 require 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 highly involve the development of information technology and system. This development can help enhance products and services including diversifying service channels to be compatible to dynamic client behavior in the digital era. The achievement of the aforementioned strategic plan undoubtedly involves the Group's competitiveness in developing its information technology system to be comparable or better than business competitors. The Group cannot guarantee that 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 well in time, the Group would still hold the risk that it incorrectly anticipated market needs. As a result, the failure of the offered products, services and transaction plans to meet clients' preferences and targeted profits, including the lack of experience in the new product and service development, could cause ineffective and inefficient business competitiveness.

*3. The Bank may be unable to maintain sufficient capital for future expansion and competition.*

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

In 2018, the Group aimed to maintain capital in order to cover future risks and growth as well as keep high capital adequacy ratio. The Bank also employed a policy of capital target and minimum required capital to mitigate risks and support business expansion. The purpose of capital risk appetite and tolerance, determined by the Bank's risk appetite statement which was approved by the Board of Directors of the Bank, reflected the following objectives:

- To maintain capital above the minimum requirement of the Bank of Thailand to cover significant risks which are not included in the minimum requirement.
- To maintain capital in accordance with risk appetite and risk tolerance which were determined by the Board of Directors.
- To assess capital under stressed conditions and prepare a capital contingency plan to maintain capital according to the framework for stressed conditions.
- To maintain capital in order to cover significant risks the Bank faces according to official regulations.
- To maintain capital while considering its impact on shareholders.

To improve the capital assessment procedures, the Bank 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 links to the aforementioned significant risks for each of the Bank'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 the investment of each business unit.
- Developed risk assessment and capital adequacy by using economic capital methods.

In 2019, the Group will continue to focus on managing capital efficiently to support business expansion and have an appropriate capital structure comparable to others in the business.

Nevertheless, the Group shall raise funds by issuing subordinated debt instruments to support business expansion and to roll over expiring instruments in the next 7 - 10 years. The Group may face risk as a result of insufficient capital or higher cost of fund-raising which would significantly affect its performance.

In the Group's capital management procedure, the suitability of the minimum capital requirement, the additional capital required by the annual business plan and the Group's risk appetite and risk tolerance will be utilized in the capital adequacy assessment process. The Bank will provide the capital plan and capital contingency options on a case-by-case basis in the event the estimated capital adequacy ratio falls below the risk tolerance or the minimum capital required by the Bank of Thailand.

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

The Bank and Group companies recognize the importance of the existence and changes of laws, rules

and regulations of the government and regulators, of which the Bank of Thailand is one key regulator. Other governing agencies include the SEC for the securities-related business and the Office of Insurance Commission (OIC) for the bancassurance business. In addition, the Bank and Group companies are also governed by other regulators, i.e. the Office of the Consumer Protection Board and the Anti-Money Laundering Office (AMLO). The laws and regulations of such regulators are strict and have constantly been more stringent. Nevertheless, the Bank and Group companies are committed to operate the business in compliance with the laws, rules and regulations as a fundamental for good performance and sustainable growth.

The Bank and Group companies have continually enhanced service and operations in accordance with the changes of the laws, rules and regulations to enable clients to conduct financial and investment transactions conveniently, speedily, securely and justly. Some changes of the laws, rules and regulations last year affected the business of the Bank and Group companies, for instance, market conduct, banking service channel, financial institution IT risk management guidelines and the notification of the Committee on Contracts re: Prescribing Hire-Purchase for Car and Motorcycle Business as Contract-Controlled Business B.E. 2018.

Furthermore, the notifications of the OIC re: The Regulations for Policy Issuance and Offering of General Insurance Company and Role of Insurance Agent, Broker and Bank B.E. 2018 as well as re: The Regulations for Policy Issuance and Offering of Life Insurance Company and Role of Life Insurance Agent, Broker and Bank B.E. 2018, which have been effective since January 1, 2019, allow the Bank to offer general insurance and life insurance via telephone sales which is preferable for the Bank's operation.

Changes in laws and regulations will generally impact goals, business viability and competitiveness of the Bank and Group companies. Additionally, the failure to completely comply with these laws would disapprovingly affect business operations, financial



status and performance of the Bank and Group companies.

*5. Internal and external fraud in the finance and banking sector sees an increasing trend. The Bank's operations may not be sufficiently cautious resulting in operating losses which will affect the Bank's competitiveness and performance.*

The Bank's operations are presently offering diverse and complex products and services, involving many related parties across the country, subjected to numerous laws and regulations and facing volatile challenges, such as business growth and expansion, new products and services, technological revolution and innovative fraud techniques. Additionally, the situational change may result in lax operation. All the aforementioned factors could cause risks or damage to the business. For example, products and services may be misrepresented affecting reputation and possibly invoking lawsuits, slowing down operations, resulting in a loss in competitiveness and income, heightening cost and eventually impacting the Bank's performance.

To reduce operational risks and fraud, the Bank's Operational Risk Sub-committee functionally manages and monitors risk possibility as well as controls operational loss to remain within acceptable levels. The Bank has also established a Fraud Unit to prevent losses by controlling and investigating irregular situations or situations suspected of being fraudulent. In addition, the Bank employs measures to reduce operational risks of new products and services by requiring relevant units to assess risks, develop a mitigation plan and implement readiness checking before launching new products and services or changing operational processes. The second line of defense units, such as the Office of General Counsel and Litigation, the Office of Compliance and the Risk Management Group, collaboratively analyze and define issues. The working team defines, examines and designs working

processes or operations, including risk controls, before proposing them to the New Product and Process Review Sub-committee (NPPRC). The sub-committee not only approves new products and process changes but also identifies risks, indicates flaws and gives advice to improve products and services to perfection. Furthermore, the Bank applies IT Risk Management Policy to prevent risks from integrating IT into the business and risks from cyber threats which may affect the Bank's operations and services.

Although the Bank cautiously enforces such measures, uncontrollable and significant factors, such as IT risk, complex fraud, embezzlement and corruption, may unexpectedly occur and inevitably impact the Bank's performance.

*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 liquid 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 the deposit protection law each year. The Bank will face liquidity risks if depositors want to withdraw their deposit portion which exceeds the protection limit by law and transfer their deposits to other financial institutions or 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 asset and liabilities mismatch and the 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 a 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 the banking book caused by the volatility of interest rates and the 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 the banking book and consistently report to the Risk Management Committee and the Board of Directors.

However, if the Bank faces 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 rises from the increasingly diverse transactions of the Group's trading and available-for-sale books which may affect the Group's operation in the case of a highly volatile economy and markets.*

Presently, the Bank performs many transactions in financial market products for both trading and available-for-sale books. The five major transaction types to hedge risk or sell structured notes to investors are 1) debt instrument and debt derivatives trading; 2) foreign exchange and its derivatives trading; 3) interest rate derivatives; 4) common equity, property fund, infrastructure fund and REIT which are registered on the SET and equity derivatives and 5) option contract which refers to the equity price or mutual fund performance as the underlying asset. Furthermore, the capital market business invests in common equities traded on the SET and foreign stock markets as well as futures contracts in the TFEX and equity derivatives.

The trading book market risk management focuses on transactions with interest rate risk and currency risk. In a highly volatile market, these risks arise from internal and external uncontrollable factors and adversely affect the trading book. Therefore, the Bank has to determine the acceptable risk limit on interest rate risk and currency risk for trading book transactions and allow equity transactions exposed to zero market risk in the equity price.

The available-for-sale book market risk management emphasizes transactions with interest rate risk. The Bank has to determine the acceptable interest rate risk limit and hedge the risk to an insignificant level. However, the Bank may invest in common equity, property fund, infrastructure fund and REIT which are registered on the SET. This will be a long-term investment which requires related committee approval on a case-by-case basis.



The Bank has consistently developed comprehensive and systematic market risk management procedures, ranging from identifying, measuring, monitoring and controlling risks resulting from trading and available-for-sale book transactions. These processes cover related and significant market risk factors. Meanwhile, the Financial Markets Group and Treasury Department are major units to manage market risk in trading and available-for-sale books respectively. The Market Risk Management Department together with the Liquidity Risk Management and ALM Department identify risk indicators and propose the risk limit for approval from the Risk Management Committee to assess and monitor market risk. The internationally accepted risk indicator tools such as VaR, Present Value of a Basis Point (PV01), Net Open Position in Foreign Currency (NOP) and Economic Value of Equity (EVE) are utilized to cover changes in the market. Any cases of irregularities or going beyond the acceptable market risk limit will be reported to relevant units by the Market Risk Management Department and the Liquidity Risk Management and ALM Department.

For capital market investment in the SET and other market equities, future derivatives and equity derivatives, important risk factors are based on the 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 has specified the level 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.

However, volatility of the securities price is often caused by uncontrollable factors. Despite the Group's standard risk management process, the Group is unable to guarantee that significant losses will not occur when risk factors become more volatile than predicted. That could adversely affect the Group's performance and economic value.

*9. The Bank has risks arising from deteriorating credit quality and credit concentration. In the event that credit quality exceeds the Bank's expectation, the Bank's performance will be significantly affected.*

The Bank's main debtors are small and medium-sized companies as well as retail clients. In general, these debtors are more affected by the volatility in the economy or the industry in which they operate than large-sized corporations. Therefore, the Bank is significantly subject to high risk during a volatile economy. The Bank also has a concentration of large-sized business debtors in real estate lending according to high credit concentration. This concentration gives rise to high credit risk in the event that some of the Bank's large clients experience credit difficulties. To manage credit concentration, the Bank has set credit concentration limits to mitigate possible losses, for instance, the Single Lending Limit and the Large Borrower Concentration.

In accordance with the risk of deteriorating credit quality resulting from economic and industry conditions, the Bank has continually developed credit approval procedures to mitigate risks. This development comprises of regulating the credit approval policy and process, issuing pre-screening guidelines, assessing debtors' executive competency and financial capability, considering loan purpose and collateral and constantly reviewing credit quality.

For retail lending, the Bank has significantly shifted the portfolio concentration of retail credit products. Housing loans, personal loans and SME loans had consecutively grown last year. For auto hire purchase,



the Bank focused on high yield products comprising used car hire purchase and CarQuickCash rather than new car hire purchase in which competition is intense resulting in lower yield. However, the Bank has maintained the strictness of its credit approval process to mitigate risk from deteriorating credit quality and applied Client Profile-based Lending which continuously increased new potential segments. In the past year, the Bank, among the first in the industry, applied Bureau Score to the loan underwriting process by cooperating with the National Credit Bureau (NCB) which enhanced the classification's effectiveness. The Bank also defined the Risk Appetite and Profitability Analysis for each product culminating in an efficient loan portfolio management and profitability, applied Behavior Score (B-score) together with the Retention Program to suitably offer cross-selling of new products and services to clients with good repayment history as well as analyzed Retail Portfolio Management and evaluated and assessed risks by product category and segmentation to control credit risk. Additionally, the Bank has been consistently monitoring loan portfolio performance systematically generated by the IT infrastructures, reporting in-depth risk analysis and mitigation plan to executives and relevant parties and developing early warning indicators. These facilitate the Bank to manage credit risk more efficiently and in a timely manner. Most importantly, the Bank focuses on Risk Governance for Product Program retail lending which requires approval from the Risk Management Committee, sub-committee or designated personnel.

The Bank has established an additional loan underwriting process and test program with limited exposure for new segments and new channels with a high credit risk. The maximum exposure of the test program depends upon products. Not only is there a trigger to limit exposure, but the Bank also established a short-term trigger, at three months or six months, as an early warning indicator in order to promptly cease or alter the test program. Consequently, the Bank is able to maintain its risk level and enhance potential opportunities.

Although the Bank employs procedures to manage credit and credit concentration risks, the Bank cannot guarantee that no loss will occur from deteriorating credit quality and credit concentration. In the event that credit quality deteriorates beyond expectation, the Bank shall set aside more provisions. At times, the Bank may unexpectedly have to increase its provisions to comply with changes in regulations. An increase in provision will considerably impact the Bank's ability to pay out dividend.

#### *10. Growth, beyond expectation, of the Electric Vehicle (EV) market may impact the Group.*

The EV market has continually grown. Many countries have been encouraging the production and use of electric cars resulting in lower production cost. Moreover, governments in many countries have launched support measures for the industry. Thailand has also recently signed the Free Trade Agreement (FTA) with China, effective in 2018, to decrease the tariff on many imported goods, including EV, to zero.

The Thai government, private organizations and several companies have supported and invested in many projects related to EV. For example, the investment promotion policy by the Board of Investment of Thailand (BOI) has attracted attention from car manufacturers for Thailand. The Eco EV project by the Ministry of Industry is aimed to promote local production of EV in accordance with the Government future vehicle strategy. EV charging stations invested by private companies have been increasing in volume especially in major provinces.

The aforementioned factors may attract consumers' attention. Moreover, the EV pricing trend has continuously declined and impacted the price of internal combustion engine cars, both new and used. These may affect credit quality and willingness to pay and lower the loan portfolio value of the Group.

The Group is aware of the risk arising from EV market expansion, thus it is monitoring the popularity of EV, regularly assessing the Group's automotive value in portfolio and consistently improving credit



quality assessment, loan approval guideline and debt collection process to be prepared for the disruption. However, EV is a new product in local and international markets and not typical of the Group's business. The Group may be unable to define and manage all possible risks, although the Group has established guidelines to address the growth and changes of the automotive market.

*11. Intense competition from large banks and emerging business groups may adversely affect the performance of the Bank.*

Fierce competition in the banking business is intensifying from corporate behavior changes especially large corporations which have a high trustworthiness and a good financial position. Their behavior has changed from relying on bank loans for financing to dis-intermediary through debentures or the capital market. Therefore, the demand for bank loans has declined while that for the corporate bond market has increased considerably, impacting banks' lending growth.

In addition, competition among existing competitors and new service providers is unceasingly intense. The existing service providers, such as large commercial banks, are growing by expanding into businesses not typical of large banks. They are especially moving towards the universal banking model. In the meantime, small banks still have competitive disadvantages, such as restricted economies of scale and economies of scope resulting in higher production cost per unit and the inability to sell bundling products. Moreover, they apparently have less business capability and competitiveness than large banks. In the event that the Bank, which is a small bank, is unable to respond to the competition with products and services which cater to clients' needs or may be unable to develop a diverse and complete sales channel, the Bank will possibly lose market share in its main businesses, such as auto hire purchase and real estate lending. Subsequently, the Bank may lose competitiveness, which will substantially impact its ability to generate

revenue and maintain a positive long-run performance.

New service providers, such as Fintech Startups, payment providers, e-wallet and e-commerce companies, are leading fundamental changes in financial transactions, consisting of payment via application, investment or credit information access and debt financing without the use of an official financial institution, making the transactions via applications more convenient, speedy and economical. The increasing competition in the market may lessen the role and opportunities of the Group as well as client relationship and brand loyalty to the Group and directly impact its business performance.

From the aforementioned effects from both existing and new service providers, the Group plans to focus on improving the quality of products and services offered to clients. The Group will also study the effect of new competitors, the possibility of being an incubator, capital venture, business partnerships, mergers and acquisitions and subsidiary establishment to expand its business. Despite the Group's readiness for uncontrollable and unexpected risks, the impact to the Group's performance may happen unavoidably, for example, market share loss and inaccurate anticipation of the financial transaction trend.

*12. 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 to 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 providing staff training for operation which 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.

*13. The Group may be affected by the inability to manage and keep key personnel.*

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 an appropriate system of employee benefits, training to encourage the development of personnel, equal and fair treatment of all employees, development of a pleasant organization and prioritization of hygiene and workplace safety, healthcare, annual health check, accident insurance for employees and right for leave on various occasions which is expanded to cover leave for all religious ceremonies.

Regardless of the success of the above measures, the Group may not be able to retain key employees. It also cannot guarantee that it will be able to recruit talented personnel. This could negatively affect business continuity and significantly impact the financial status and performance of the Group.

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

The Group operates a 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 2018, the Bank profited from its special asset management business in the amount of Baht 369 million, amounting to 7.21% of the Group's comprehensive income.

However, the Group has been operating the special asset management business for some time. Currently, the Group's investment funds have been terminated and assets under management remain at approximately Baht 6,082 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 for the decreasing return of this business.



## General Information

<b>Name of Company</b>	Kiatnakin Bank Public Company Limited
<b>Stock Ticker</b>	"KKP"
<b>Type of Business</b>	Commercial banking business, capital market business and other related businesses under the Financial Institution Business Act, Securities and Exchange Act and other related regulations
<b>Number of Shares</b>	846,751,109 ordinary shares and none of preferred share, with par value of Baht 10 per share (As of December 31, 2018)
<b>Authorized Share Capital</b>	Baht 8,467,511,090
<b>Issued and Fully Paid-up Share Capital</b>	Baht 8,467,511,090 (As of December 31, 2018)
<b>Address</b>	500 Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330
<b>Company Registration Number</b>	0107536000986
<b>Telephone</b>	0-2165-5555
<b>Website</b>	<a href="http://www.kiatnakinphatra.com">www.kiatnakinphatra.com</a>
<b>Names, Offices, Telephone and Fax Numbers of Referenced Entities</b>	
<b>Registrar – Ordinary Share</b>	<b>: Thailand Securities Depository Company Limited</b> Stock Exchange of Thailand Building, 93 Ratchadapisek Road, Din Daeng, Bangkok 10400 Tel: 0-2009-9000 Fax: 0-2009-9991
<b>Authorized Auditor</b>	<b>: Ms. Sakuna Yamsakul</b> Certified Public Accountant (Thailand) Registration No. 4906 PricewaterhouseCoopers ABAS Ltd. ("PWC") 15 <sup>th</sup> Floor, Bangkok City Tower, 179/74-80 South Sathorn Road, Sathorn, Bangkok 10120 Tel: 0-2844-1000 Fax: 0-2286-5050
<b>Legal Advisor</b>	: Not Appointed
<b>Advisor/ Manager under Management Contract</b>	: Not Appointed





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

Juristic Person Name/ Address	Type of Business	Number of Fully Paid-up Shares (Shares)	Percentage of Ownership (%)
1. Phatra Capital Public Company Limited 9 <sup>th</sup> Floor, Muang Thai-Phatra Office Tower 1, 252/6 Ratchadapisek Road, Huaykwang, Bangkok 10310 Tel: 0-2305-9000 Fax: 0-2305-9539	Holding Company and Investment	210,310,240.00	99.98
2. Phatra Securities Public Company Limited 6 <sup>th</sup> , 8 <sup>th</sup> -11 <sup>th</sup> Floor, Muang Thai-Phatra Office Tower 1, 252/6 Ratchadapisek Road, Huaykwang, Bangkok 10310 Tel. 0-2305-9000 Fax. 0-2305-9535	Securities	213,500,000.00	99.95*
3. Phatra Asset Management Company Limited 19 <sup>th</sup> Floor, Muang Thai-Phatra Complex Building A, 252/25 Ratchadapisek Road, Huaykwang, Bangkok 10310 Tel: 0-2305-9800 Fax: 0-2305-9803	Asset Management	12,000,000.00	99.97*
4. Phatra Asset Management (Cayman) Limited c/o Maples Corporate Services Limited PO Box 309, Ugland House Grand Cayman, KY1-1104, Cayman Islands	Asset Management	1.00	99.98*
5. 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 <sup>th</sup> Floor, KKP Tower B, 209/1 Sukhumvit 21 Road, Klong Toey-Nua, Wattana, Bangkok 10110 Tel: 0-2664-0424 Fax: 0-2664-0980	Law Office	10,000.00	99.96
7. KKP Tower Company Limited Former Name: CMIC Development Company Limited 209, 209/1 KKP Tower, Sukhumvit 21 (Asoke) Road, Klong Toey-Nua, Wattana, Bangkok 10110 Tel: 0-2664-1396-7 Fax: 0-2664-2163	Office Rental and Property Management for the Bank and Group Companies	230,000,000.00	84.30
8. BOT Lease (Thailand) Co., Ltd. Former Name: BTMU Leasing (Thailand) Company Limited 4 <sup>th</sup> Floor, Harinthorn Tower, 54 Sathorn Nua Road, Silom Bangrak, Bangkok 10500 Tel: 0-2266-3060 Fax: 0-2266-3067	Leasing	600,000.00	10.00



Juristic Person Name/ 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 <sup>th</sup> Floor, Muang Thai-Phatra Complex Building A, 252/25 Ratchadapisek Road, Huaykwang, Bangkok 10310 Tel: 0-2305-9800 Fax: 0-2305-9803	Investment	21,665,778.5942	99.95
10. Asia Recovery 2 Fund Phatra Asset Management Company Limited 19 <sup>th</sup> Floor, Muang Thai-Phatra Complex Building A, 252/25 Ratchadapisek Road, Huaykwang, Bangkok 10310 Tel: 0-2305-9800 Fax: 0-2305-9803	Investment	78,683,161.1474	99.59
11. Asia Recovery 3 Fund Phatra Asset Management Company Limited 19 <sup>th</sup> Floor, Muang Thai-Phatra Complex Building A, 252/25 Ratchadapisek Road, Huaykwang, Bangkok 10310 Tel: 0-2305-9800 Fax: 0-2305-9803	Investment	77,595,895.6819	99.97
12. Thai Restructuring Fund Phatra Asset Management Company Limited 19 <sup>th</sup> Floor, Muang Thai-Phatra Complex Building A, 252/25 Ratchadapisek Road, Huaykwang, Bangkok 10310 Tel: 0-2305-9800 Fax: 0-2305-9803	Investment	68,263,486.3132	98.91
13. Bangkok Capital Fund Phatra Asset Management Company Limited 19 <sup>th</sup> Floor, Muang Thai-Phatra Complex Building A, 252/25 Ratchadapisek Road, Huaykwang, Bangkok 10310 Tel: 0-2305-9800 Fax: 0-2305-9803	Investment	34,388,611.8195	95.72
14. Gamma Capital Fund Phatra Asset Management Company Limited 19 <sup>th</sup> Floor, Muang Thai-Phatra Complex Building A, 252/25 Ratchadapisek Road, Huaykwang, Bangkok 10310 Tel: 0-2305-9800 Fax: 0-2305-9803	Investment	27,020,796.4744	94.03
15. Rayongrung Company Limited 47/11 Rat Bamrung Road, Noen Phra, Muang, Rayong 21000	Buying and Selling of Own Account of Non-residential Buildings	575,000	24.99

\* Held by Phatra Capital Public Company Limited



## Details of Fines by Regulators during the Past Five Years (2014 - 2018)

Company	Year	Regulator	Law and Offence		Amount (Baht)
Kiatnakin Bank Public Company Limited	2018	Bank of Thailand	Section 60 of Financial Institutions Businesses Act, B.E. 2551 (2008)	Failed to comply with regulations on asset classification.	4,370,000
			Section 71 of Financial Institutions Businesses Act, B.E. 2551 (2008)	Failed to report data set relating to asset classification.	
	2018	The SEC	Section 113 of Securities and Exchange Act, B.E. 2535 (1992)	Failed to comply with the rules, conditions, and procedures as specified in the Notification of the Capital Market Supervisory Board as a Limited Broker Dealer Underwriter (LBDU).	886,000
Phatra Asset Management Company Limited	2018	The SEC	Section 117 of Securities and Exchange Act, B.E. 2535 (1992)	Failed to comply with the rules, conditions, and procedures as specified in the Notification of the Capital Market Supervisory Board relating to fund management.	1,635,000



## 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, 2018, 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, 2018, no preferred share was issued by the Bank.

### Shareholders

1. Major shareholders

The top ten major shareholders of the Bank, as of September 6, 2018 on which was to determine the list of shareholders entitled to receive interim dividend, are as follows:

No.	Name of Shareholder	Type of Shareholder	Number of Shares (Shares)	Shareholding (%)
1.	Thai NVDR Co., Ltd.	Thai juristic person	116,092,341	13.71
2.	Ms. Thitinan Wattanavekin	Thai ordinary person	35,532,761	4.20
3.	South East Asia UK (Type C) Nominees Limited	Foreign juristic person	35,110,695	4.15
4.	Eastern Sugar Co., Ltd. <sup>/1</sup>	Thai juristic person	35,000,804	4.13
5.	Ramkhamhaeng Hospital PCL.	Thai juristic person	34,867,143	4.12
6.	State Street Europe Limited	Foreign juristic person	28,447,655	3.36
7.	Mrs. Vansamorn Wannamethee	Thai ordinary person	24,972,703	2.95
8.	Chodthanawat Co., Ltd. <sup>/2</sup>	Thai juristic person	20,693,600	2.44
9.	South East Asia UK (Type A) Nominees Limited	Foreign juristic person	20,347,822	2.40
10.	J.P. Mogan Bank Luxembourg S.A. Lend	Foreign juristic person	18,710,324	2.21
Total top ten major shareholders			369,775,848	43.67
Others			476,975,261	56.33
<b>Total</b>			<b>846,751,109</b>	<b>100.00</b>



Shareholder Classified by Nationality	Number of Shares (Shares)	Shareholding (%)
Thai shareholders	655,848,078	77.45
Foreign shareholders	190,903,031	22.55

Remarks <sup>/1</sup> Eastern Sugar Co., Ltd. has Khunying Nattika Wattanavekin and Mr. Sukkam Wattanavekin, holding 12.95% and 26.76% of the total company shares respectively, as primary shareholders. They held 0.24% and 1.35% of the ordinary shares of the Bank respectively.

<sup>/2</sup> Chodthanawat Co., Ltd. has Mrs. Panida Thepkanjana, holding 74.32% of the total company shares, as a primary shareholder. She held 1.81% of the ordinary shares of the Bank.

- 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

- Debentures

As of December 31, 2018, the outstanding of debentures totaled Baht 46,748.00 million. Details are as follows:

- Outstanding of unsubordinated and unsecured short-term debentures (not exceeding 270 days): Baht 29,255.00 million

Symbol	Amount (Baht Million)	Issue Date	Maturity Date	Tenor (Month)	Coupon (p.a.) (% p.a.)
KK19103A	800.00	09/04/2018	03/01/2019	9	1.57
KK19108A	400.00	30/05/2018	08/01/2019	7	1.65
KK19108B	500.00	23/05/2018	08/01/2019	8	1.66
KK19114A	500.00	19/04/2018	14/01/2019	9	1.57
KK19115A	500.00	20/04/2018	15/01/2019	9	1.57
KK19117A	100.00	24/04/2018	17/01/2019	9	1.57
KK19117B	650.00	26/04/2018	17/01/2019	9	1.60
KK19118A	200.00	24/04/2018	18/01/2019	9	1.60
KK19118B	1,000.00	25/04/2018	18/01/2019	9	1.60
KK19207A	580.00	21/05/2018	07/02/2019	9	1.69
KK19212A	300.00	18/05/2018	12/02/2019	9	1.69
KK19214A	1,020.00	21/05/2018	14/02/2019	9	1.69
KK19215A	250.00	23/05/2018	15/02/2019	9	1.69
KK19215B	1,100.00	25/05/2018	15/02/2019	9	1.69
KK19220A	1,000.00	20/12/2018	20/02/2019	2	1.72



Symbol	Amount (Baht Million)	Issue Date	Maturity Date	Tenor (Month)	Coupon (p.a.) (% p.a.)
KK19228A	1,000.00	19/09/2018	28/02/2019	5	1.75
KK19307A	700.00	14/12/2018	07/03/2019	3	1.75
KK19312A	170.00	14/12/2018	12/03/2019	3	1.75
KK19313A	200.00	14/12/2018	13/03/2019	3	1.75
KK19314A	500.00	25/06/2018	14/03/2019	9	1.69
KK19314B	600.00	26/06/2018	14/03/2019	9	1.69
KK19319A	400.00	26/06/2018	19/03/2019	9	1.69
KK19319B	500.00	18/09/2018	19/03/2019	6	1.75
KK19320A	100.00	27/06/2018	20/03/2019	9	1.69
KK19320B	930.00	21/12/2018	20/03/2019	3	1.75
KK19321A	120.00	25/06/2018	21/03/2019	9	1.68
KK19321B	25.00	20/09/2018	21/03/2019	6	1.75
KK19321C	1,000.00	25/09/2018	21/03/2019	6	1.75
KK19321D	244.00	19/09/2018	21/03/2019	6	1.75
KK19325A	320.00	28/06/2018	25/03/2019	9	1.69
KK19326A	500.00	02/07/2018	26/03/2019	9	1.69
KK19326B	50.00	26/09/2018	26/03/2019	6	1.75
KK19327A	500.00	03/07/2018	27/03/2019	9	1.69
KK19328A	600.00	04/07/2018	28/03/2019	9	1.69
KK19328B	106.00	27/09/2018	28/03/2019	6	1.75
KK19418A	1,000.00	26/10/2018	18/04/2019	6	1.97
KK19424A	1,000.00	26/10/2018	24/04/2019	6	1.97
KK19425A	500.00	30/10/2018	25/04/2019	6	1.97
KK19429A	500.00	29/10/2018	29/04/2019	6	1.97
KK19502A	500.00	31/10/2018	02/05/2019	6	1.97
KK19502B	500.00	31/10/2018	02/05/2019	6	1.97
KK19506A	60.00	01/11/2018	06/05/2019	6	1.97
KK19613A	400.00	20/09/2018	13/06/2019	9	1.90
KK19613B	1,000.00	26/09/2018	13/06/2019	9	1.90
KK19613C	500.00	27/09/2018	13/06/2019	9	1.90
KK19613D	130.00	14/12/2018	13/06/2019	6	1.85
KK19618A	1,000.00	21/09/2018	18/06/2019	9	1.90
KK19620A	500.00	24/09/2018	20/06/2019	9	1.90





Symbol	Amount (Baht Million)	Issue Date	Maturity Date	Tenor (Month)	Coupon (p.a.) (% p.a.)
KK19620B	100.00	26/09/2018	20/06/2019	9	1.90
KK19621A	400.00	26/12/2018	21/06/2019	6	1.98
KK19624A	500.00	27/09/2018	24/06/2019	9	1.90
KK19625B	500.00	24/12/2018	25/06/2019	6	1.98
KK19625C	850.00	25/12/2018	25/06/2019	6	1.98
KK19625D	100.00	25/12/2018	25/06/2019	6	1.98
KK19627A	50.00	03/10/2018	27/06/2019	9	1.90
KK19627B	1,000.00	02/10/2018	27/06/2019	9	1.90
KK19627C	700.00	27/12/2018	27/06/2019	6	1.98
<b>Total</b>	<b>29,255.00</b>				

- Outstanding of unsubordinated, unsecured, no convertible and no representative structured debentures and/ or debentures having obligations imposed on debenture holders: Baht 3,203.00 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
KK209Z	916.00	28/09/2018	28/09/2020	731	2.20
KK209A	275.00	08/09/2017	04/09/2020	1,092	2.12
KK209B	145.00	08/09/2017	04/09/2020	1,092	2.12
KK209C	100.00	08/09/2017	04/09/2020	1,092	2.12
KK209D	185.00	08/09/2017	04/09/2020	1,092	2.12
KK209E	150.00	15/09/2017	11/09/2020	1,092	2.12
KK209F	88.00	15/09/2017	11/09/2020	1,092	2.12
KK200A	90.00	05/10/2017	01/10/2020	1,092	1.99
KK200B	61.00	05/10/2017	01/10/2020	1,092	1.99
KK19204Z	50.00	06/08/2018	04/02/2019	182	1.60
KK19215X	5.00	17/08/2018	15/02/2019	182	1.60
KK19215Y	10.00	17/08/2018	15/02/2019	182	1.60
KK19215Z	45.00	17/08/2018	15/02/2019	182	1.60
KK19222Y	5.00	24/08/2018	22/02/2019	182	1.60
KK19222Z	20.00	24/08/2018	22/02/2019	182	1.60
KK19301Y	10.00	31/08/2018	01/03/2019	182	1.60
KK19301Z	20.00	31/08/2018	01/03/2019	182	1.60



Symbol	Amount (Baht Million)	Issue Date	Maturity Date	Tenor (Day)	Coupon (p.a.) (% p.a.)
KK19328Z	25.00	27/09/2018	28/03/2019	182	1.60
KK19111W	55.00	13/07/2018	11/01/2019	182	1.60
KK19111X	140.00	13/07/2018	11/01/2019	182	1.60
KK19111Y	10.00	13/07/2018	11/01/2019	182	1.60
KK19111Z	55.00	13/07/2018	11/01/2019	182	1.60
KK19118U	5.00	20/07/2018	18/01/2019	182	1.60
KK19118V	30.00	20/07/2018	18/01/2019	182	1.60
KK19118W	20.00	20/07/2018	18/01/2019	182	1.60
KK19206W	20.00	10/08/2018	06/02/2019	180	1.60
KK19206X	15.00	10/08/2018	06/02/2019	180	1.60
KK19206Y	75.00	10/08/2018	06/02/2019	180	1.60
KK19206Z	222.00	10/08/2018	06/02/2019	180	1.60
KK19220Y	30.00	24/08/2018	20/02/2019	180	1.60
KK19220Z	60.00	24/08/2018	20/02/2019	180	1.60
KK19306Y	12.00	07/09/2018	06/03/2019	180	1.60
KK19306Z	45.00	07/09/2018	06/03/2019	180	1.60
KK19327X	25.00	28/09/2018	27/03/2019	180	1.60
KK19327Y	5.00	28/09/2018	27/03/2019	180	1.60
KK19327Z	43.00	28/09/2018	27/03/2019	180	1.60
KK19425Z	36.00	26/10/2018	25/04/2019	181	1.60
KK19603Y	10.00	30/11/2018	03/06/2019	185	1.65
KK19603Z	30.00	30/11/2018	03/06/2019	185	1.65
KK19627Z	10.00	28/12/2018	27/06/2019	181	1.65
<b>Total</b>	<b>3,203.00</b>				



- Outstanding of unsubordinated and unsecured long-term debentures: Baht 6,000.00 million

Symbol	Amount (Baht Million)	Issue Date	Maturity Date	Tenor (Year)	Coupon (p.a.) (% p.a.)
KK202A	3,000.00	20/02/2018	20/02/2020	2	1.80
KK203A	3,000.00	20/03/2018	20/03/2020	2	1.72
Total	6,000.00				

- Outstanding of subordinated, unsecured and no representative intended to qualify as tier 2 capital debentures: Baht 8,290.00 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
KK285A	1,400.00	18/05/2018	18/05/2028	10	3.50
KK280A	890.00	08/10/2018	08/10/2028	10	4.00
Total	8,290.00				

## 2. Bills of Exchange

As of December 31, 2018, the outstanding of Bills of Exchange totaled Baht 500 million.

## 3. Warrants

-No-



## Dividend Policy

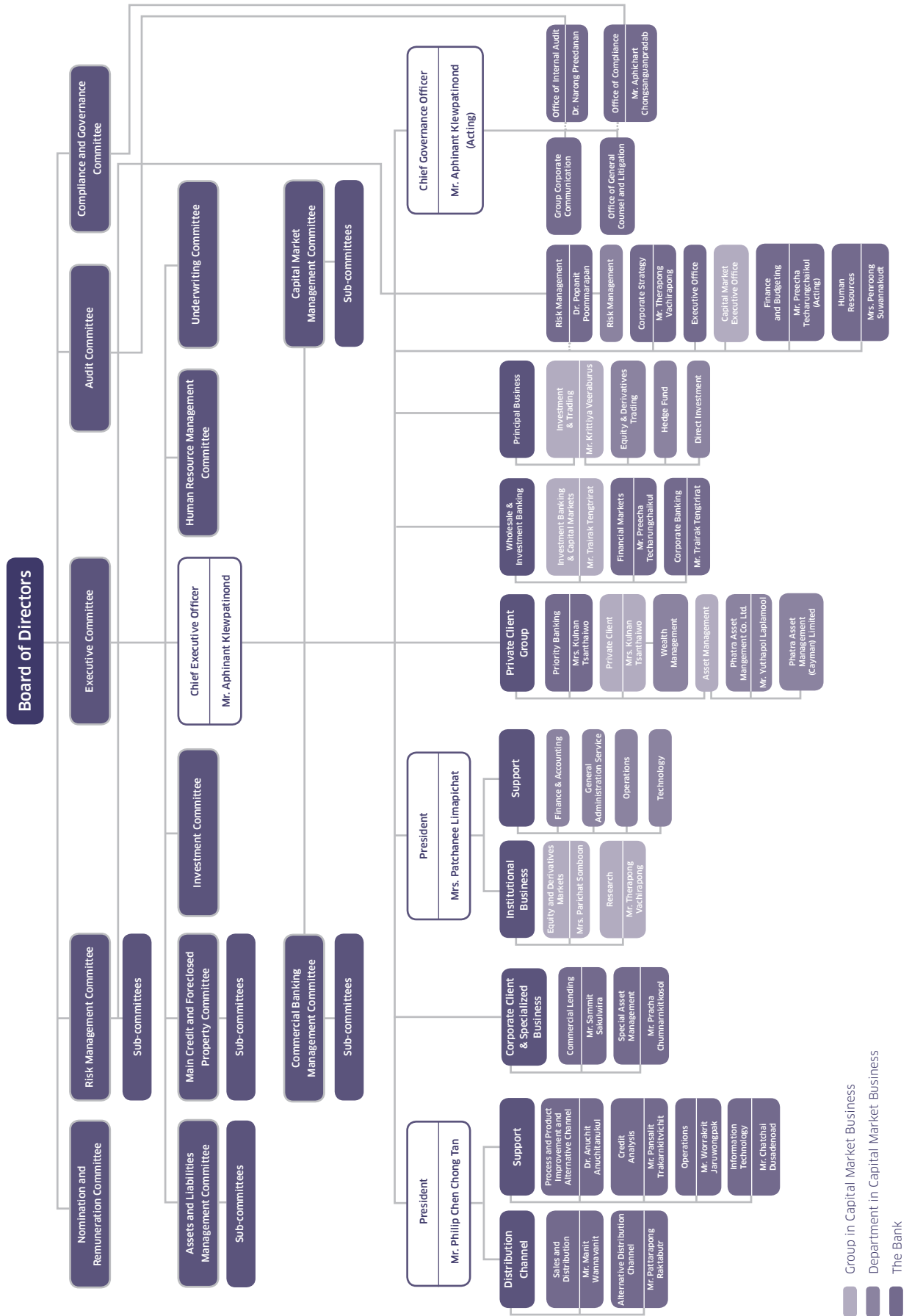
The Bank has a policy to pay dividend from the net profit in its financial statements. Payout of dividend must be approved by the shareholders' meeting. An interim dividend can also be paid by the Board of Directors' approval if the Bank's profit deems sufficient to do so and such payment shall be reported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

	2013	2014	2015	2016	2017
Earnings per share (Baht)	5.29	3.25	3.92	6.55	6.78
(As from Consolidated Financial Statement)					
Dividend per Share (Baht)	2.65	1.85	3.00	6.00	5.00
Dividend Payout Ratio (%)	50.09	56.92	76.53	91.60	73.75





## 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, as per the following details:

### Board of Directors

As the representative of shareholders, the Board of Directors has roles, duties and responsibilities to conduct business with integrity to achieve stability and good returns. 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 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 policies which 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 and for business sustainability.
2. Oversee to ensure adequate and efficient allocation of significant resources, for instance, capital investment, personnel, technology, etc. and promote the utilization of innovation to create business opportunities, improve business operation and risk management and enable the Bank to achieve key business objectives and goals. The Board of Directors shall also

define the proper remuneration structure to incentivize employees to fully perform their duties with honesty and consistent with its risk culture. The Board of Directors 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 or approve the effective risk governance framework to support business operations in accordance with the specified directions and objectives under the rapidly changing business environment. The Board of Directors shall define the appropriate risk appetite level for the Bank's business operation, monitor the business so it is operated within such specified risk appetite level, ensure that the Bank has a system and risk management process which can address the overall and significant risks (Comprehensive Risk Management Policy and Process) 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 credit risk, market risk, investment risk, liquidity risk, operational risk, reputational risk, legal risk, strategic risk and information technology risk, as well as risks which may arise from the launch of new products and certain significant business changes. The Board of Directors shall approve such policies and review them regularly or immediately after any significant changes. Furthermore, the Board of Directors has the duty to oversee the Group's risks, ensure that





the Group's business is operated within specified risk management policies and strategies, support the building of risk culture as well as ensure the communication of such policies and strategies throughout the organization.

5. Revisit and review the sufficiency and effectiveness of the overall risk management policies and strategies as well as risk appetite at least once a year or upon any significant changes. The Board of Directors should consult and exchange views with the Audit Committee in order to assess if the risk and management policies and strategies cover all existing and emerging risks and if the implementations of such policies and strategies are effective and efficient. The Board of Directors should regularly take part in the evaluation of the effectiveness and efficiency of the Head of the Risk Management Group at least once a year.
6. Ensure that the Bank and Group companies have effective control, oversight and audit mechanism; adequate and proper internal control and internal audit systems as well as the organizational structure which promotes independent and effective control, oversight and audit functions (three lines of defense) to make certain that transactions are made efficiently and in accordance with the specified policy and system and relevant laws and regulations.
7. Study and understand the shareholder structure and relationship, which may affect business management and operation, and oversee that the checks and balances of power between the management and/ or major shareholders is suitable. This should be done with emphasis on creating a good proportion of independent directors among Board members.
8. 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.

9. Ensure that committees require the management to define and implement a system for Bank's corporate governance in accordance with applicable laws and business nature. Consider and approve the corporate governance system including monitoring the effectiveness of the Bank's corporate governance system and advice on further improvement.
10. 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.
11. Approve the Bank's annual financial reports, which are audited by an 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.
12. Define policy for risk assessment, capital adequacy and liquidity of the Bank and strategy and guideline to maintain the Bank's capital consistent with the approved risk appetite level. Define the stress test policy which is in line with the Bank's transactions and material risks.
13. Appoint the CEO nominated by the Nomination and Remuneration Committee and determine the performance evaluation criteria for the CEO which aligns with the business performance.



Perform or delegate 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 competency to perform duties to achieve the Group's long-term key objectives and goals.

14. Appoint and establish the scope and authority of executives of the Bank and the highest-level executive of PHATRA as recommended by the Nomination and Remuneration Committee.
15. Ensure that the Bank has in place policies on loans and investment with related parties.
16. 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 benefit of the Bank and in compliance with related laws and regulations.
17. 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. Perform an annual performance evaluation of the Board of Directors.
18. Oversee that the Bank discloses important corporate governance information at the shareholders' meeting and to the public.
19. Ensure that each individual director participates in no less than 75% of all Board of Directors' meetings held in a year, unless with reasonable grounds or necessity.

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

The Chairman of the Board of Directors must be an independent director or non-executive director. At least half of the Board members must be independent

directors or non-executive directors. The number of Board meetings should be consistent with the duties and responsibilities of the Board of Directors and no less than six times per year. The quorum of the Board of Directors' meetings must consist of at least two-thirds of the Board members. The meeting's resolution must be passed by a majority vote of the Board members attending the meeting. The Chairman of the Board of Directors 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 the responsibility in the 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 as 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 business, for example, the overall risk management policy for the Bank and Group companies, the credit policy, etc.
4. To approve the Corporate Governance Policy and Guidelines for Business Conduct Policy for the Bank and the Group companies as 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 high level 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 or credit limits in excess of the Executive Committee's authorized limit.
11. To approve the granting of loans or credit guarantees for companies which have a business relationship 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 deteriorate or are decommissioned, out of order, lost, damaged 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 a period exceeding three years.
15. To approve the acquisition or disposal of assets and connected transactions in accordance with the notifications of Capital Market Supervisory Board.

#### *Board Members*

As of December 31, 2018, the Bank's Board of Directors is comprised of twelve members. These include four independent directors, four non-executive directors and four 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. Suvit	Mapaisansin	Non-Executive Director
8. Prof. Dr. Anya	Khanthavit	Non-Executive Director
9. Mr. Banyong	Pongpanich <sup>/1 /2</sup>	Executive Director
10. Ms. Thitinan	Wattanavekin <sup>/1 /2</sup>	Executive Director
11. Mr. Suraphol	Kulsiri <sup>/1</sup>	Executive Director
12. Mr. Aphinant	Klewpatinond <sup>/1 /2</sup>	Executive Director
Ms. Porntip	Chuprakhun	Corporate Secretary

Remark <sup>/1</sup> Authorized director

<sup>/2</sup> Member of the Executive Committee

Mr. Banyong Pongpanich, Ms. Thitinan Wattanavekin and Mr. Suraphol Kulsiri are executive directors but they are not employees of the Bank or Group companies.

#### *Authorized Directors*

The authorized directors of the Bank, who can sign and bind the Bank, are any two of the following four directors, provided that they jointly sign with the Bank's seal affixed: Mr. Banyong Pongpanich, Ms. Thitinan Wattanavekin, Mr. Suraphol Kulsiri 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 Group's financial reporting to ensure its accuracy and adequacy and receive information about improper transactions in financial statements or other issues from employees.
2. Review the Group's internal control, including information technology security and control, to ensure that they are suitable and effective.
3. Determine the internal audit unit's independence; review the Group's internal audit to ensure that it is suitable and efficient and approve the appointment, transfer and dismissal as well as appraise the performance efficiency and effectiveness of the chief of the internal audit unit or any other unit in charge of an internal audit.
4. Consider, select and nominate an independent person to be the Group'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 Group's policy relating to non-audit services provided by the auditor and review to ensure that the use of such services does not interfere with the auditor's independency.
6. Review the connected transactions or transactions which may lead to a conflict of interest, and the disclosure thereof, to ensure that they are in compliance with the laws and the SET's regulations and are reasonable and for the highest benefit.
7. Prepare and disclose the following information in the Group's annual report and the Audit Committee's report, which must be signed by the Audit Committee's Chairperson:
  - (a) opinion on the accuracy, completeness and credibility of the Group's financial report;
  - (b) opinion on the adequacy of the Group's internal control system;
  - (c) opinion on compliance with the law on securities and exchange, the SET's regulations and laws relating to the Group's businesses;
  - (d) opinion on the suitability of the auditor;
  - (e) opinion on the transactions which may lead to a conflict of interest;
  - (f) the number of the Audit Committee's meetings and the attendance of such meetings by each committee member;
  - (g) 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 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 can be taken within the timeframe which the Audit Committee deems appropriate in case the Audit Committee finds or suspects any misconduct as follows:
  - (a) Any transaction which causes a conflict of interest;
  - (b) Any fraud, irregularity or material defect in an internal control system; or
  - (c) Any violation of the laws pertaining to financial institutions, the law on securities and exchange, the Stock of Exchange of Thailand's regulations, the Bank of Thailand's regulations, other laws and regulations related to the banking and securities business and any other laws. If the Bank's Board of Directors or the 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 Group. 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 to ensure that the Group companies follow the Group's policies.
13. Review the accuracy of the Anti-corruption Self-evaluation Report and reference documents

which are prepared and audited by the Office of Compliance and the Office of Internal Audit, respectively, in accordance with the review period as prescribed by the CAC.

14. Perform any other act as assigned by the Bank's Board of Directors and accepted by the Audit Committee.
15. Perform any other act as the law prescribes on the authority of the Audit Committee.
16. Report on 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 companies at least twice a year. The quorum of the Audit committee's meetings must consist of no less than half of the Audit Committee 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 the text of such resolution and such resolution shall be in the same force and effective as if it has been adopted at a duly convened meeting of the Audit Committee. The Chairperson 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	Patrakornkul	Member of the Audit Committee
3. Mr. Veravat	Chutichetpong	Member of the Audit Committee
Dr. Narong	Preedanana	Secretary of the Audit Committee

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

## Nomination and Remuneration Committee

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

1. Establish policy, criteria and process in nominating directors and persons with management authority for the Bank and Group companies in order to propose to the Bank's Board of Directors; select and propose qualified persons to be Board members, members of sub-committees directly reporting to the Board of Directors, persons with management authority, advisors of the Bank and

the highest-level executive of PHATRA to the Bank's Board of Directors for consideration as well as give consent on the directors and persons with management authority of the Group companies prior to being proposed for appointment.

2. Consider the size and composition of the Board of Directors of the Bank and Group companies which are appropriate to the changing circumstances. Oversee that the Group has a mechanism or tool to support the process for selecting and nominating director candidates to



ensure that the Board of Directors of the Bank and Group companies consist of qualified individuals with a wide range of knowledge, capabilities and experiences favorable to long-term business growth and directions and strategies of the Group, such as developing a skill matrix which is necessary for the Bank's Board of Directors, etc.

3. Ensure that Board members and persons with management authority of the Bank and Group companies receive remuneration and benefits which are commensurate with their duties and responsibilities. Consider the remuneration and other benefits for Board members and the CEO of the Bank which reflect the objectives, duties and responsibilities and relevant risks<sup>1</sup> prior to proposing to the Board of Directors. In addition, the committee shall establish a transparent payment policy of the remuneration and other benefits for other persons with management authority as a guideline for consideration by the Human Resource Management Committee/ Capital Market Human Resources Management Committee. The committee may also consult with the Bank's Board of Directors to ensure that the remuneration can reflect important risks.
4. Consider and establish guidelines for the performance evaluation of Board members and

the CEO of the Bank to propose for the Board of Directors' consideration. The evaluation of the Board members should be in the form of self-evaluation and cross-evaluation or third-party evaluation. The committee shall also establish guidelines for the performance evaluation of the persons with management authority for the Human Resource Management Committee. These guidelines will assist the Human Resource Management Committee in considering the annual remuneration by taking into account the roles and responsibilities, the related risks, the management of business in accordance with the organization's goal and strategies and the increasing value of shareholders' proportion in the long term.

5. Oversee the disclosure of the policy and process for the selection of directors and persons with management authority of the Bank and the remuneration policy and various forms of benefits as well as prepare the committee's report in the Bank's annual report.
6. Oversee that the Bank has a succession plan for executives in place to ensure planning and preparation for critical positions.
7. Report on 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 no less than half of the Nomination and Remuneration Committee members. The meeting resolution is passed by a majority vote of the committee members 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 the text of such resolution and such resolution shall be in the 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 <sup>/1</sup>	Chairman of the Nomination and Remuneration Committee
2. Mr. Chet	Pattrakornkul <sup>/1</sup>	Member of the Nomination and Remuneration Committee
3. Mr. Suvit	Mapaisansin <sup>/2</sup>	Member of the Nomination and Remuneration Committee
Mrs. Penroong	Suwannakudt	Secretary of the Nomination and Remuneration Committee

Remark <sup>/1</sup> Independent director

<sup>/2</sup> Non-executive director

<sup>1</sup> The remuneration should not relate, too much, to short-term profits or targets and must not create incentives for entering into too risky transactions which can affect the Group's stability.





## 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 Group companies conduct business in compliance with laws, regulations, rules, standards, ethics, corporate governance principles and compliance policy.
2. Ensure that the Bank has an efficient and independent compliance system and corporate governance practice.
3. Oversee that the Bank and Group companies establish the process to take corrective actions for issues raised by 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 the 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 and report to the Board of Directors.
6. Develop Guidelines for Business Conduct Policy to be used as a performance framework for the Board members, executives and employees of the Bank and Group companies and propose to the Board of Directors for consideration.
7. Regularly review the Bank's corporate governance principles and its compliance with 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 Policy 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 on the committee's performance to the Board of Directors at least once a year and immediately in case there is any significant incompliance with rules of the regulators or the Bank.

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 no less than half of the Compliance and Governance Committee 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 the text of such resolution and such resolution shall be in the 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 two members as follows:

1. Mr. Chet	Pattrakornkul <sup>/1</sup>	Chairman of the Compliance and Governance Committee
2. Mr. Tarnin	Chirasoonton <sup>/2</sup>	Member of the Compliance and Governance Committee
Mr. Aphichart	Chongsanguanpradab	Secretary of the Compliance and Governance Committee

Remark <sup>/1</sup> Independent director

<sup>/2</sup> Non-executive 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 the overall policy on risk management for the Bank and Group companies 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 which could adversely affect the Bank and Group companies' reputation.
2. Develop strategies which 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 which 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 which 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 Group companies and report to the Board of Directors.
7. Report on 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 no less than half of the Risk Management Committee members. The meeting resolution is passed by a majority vote of the committee members 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 the text of such resolution and such resolution shall be in the 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 ten 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. Philip Chen Chong	Tan	Member of the Risk Management Committee
6. Mr. Krittiya	Veeraburus	Member of the Risk Management Committee
7. Mr. Pansalit	Trakarnkitvichit	Member of the Risk Management Committee
8. Mr. Norachet	Sangruji	Member of the Risk Management Committee
9. Mr. Trairak	Tengtrirat	Member of the Risk Management Committee
10. Mr. Preecha	Techarungchaikul <sup>/1</sup>	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 the ecosystem and factors prior to proposing to the Board of Directors for consideration.
2. Consider the policy and operating plan of the Bank and Group companies, as 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 Group companies.
4. Oversee the business operation of the Bank and Group companies in order to carry out business in accordance with the laws and approved policies.
5. Assign operating matters of the Bank and Group companies to the CEO and sub-committees, establish the overall organizational structure in accordance with the business directions and goals as well as approve any major revision of the organizational structure at the group level in order to propose to the Board of Directors for consideration. The committee may delegate authority to the CEO or the Commercial Banking Management Committee to consider and approve the revision of the organizational structure at the department level and below (except the set-up of departments to operate new businesses which requires the Executive Committee's approval).
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 a specific matter.
7. Consider and approve loans, restructuring loans and sales of main foreclosed property; set the asset price to be purchased from auctions; exercise the right to object in accordance with the specified limit; approve the legal expenses and litigation against debtors and approve the securities underwriting and securities commitment of the Bank or Group companies 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 no less than half of the Executive Committee members. The meeting resolution is passed by a majority vote of the committee members 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 the text of such resolution and such resolution shall be in the 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. Dr. Anuchit	Anuchitanukul	Member of the Executive Committee
7. Mrs. Patchanee	Limapichat	Member of the Executive Committee
8. Mr. Philip Chen Chong	Tan	Member of the Executive Committee
Mrs. Vararat	Satayaraks	Secretary of the Executive Committee

Mr. Supol Wattanavekin is advisor of the Executive Committee.

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

#### 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 Audit Committee
- 2) Capital Market Risk Management Committee
- 3) Capital Market Human Resources 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
- 4) REITS Investment Committee



## Board of Directors' and Committees' Meeting Attendance in 2018:

Name of Director	Meeting Attendance in 2018					
	Board of Directors (Total 14 Meetings)	Audit Committee (Total 13 Meetings)	Nomination and Remuneration Committee (Total 6 Meetings)	Compliance and Governance Committee (Total 6 Meetings)	Risk Management Committee (Total 13 Meetings)	Executive Committee (Total 15 Meetings)
1. Mr. Supol Wattanavekin	14/14 <sup>/1</sup>	-	-	-	12/13 <sup>/1</sup>	14/15 <sup>/2</sup>
2. Mrs. Dayana Bunnag	14/14	13/13 <sup>/1</sup>	-	-	-	-
3. Mr. Chet Pattrakornkul	14/14	13/13	6/6	6/6 <sup>/1</sup>	-	-
4. Mr. Pongtep Polanun	12/14	-	-	-	-	-
5. Mr. Veravat Chutichetpong	12/14	12/13	6/6 <sup>/1</sup>	-	-	-
6. Mr. Tarnin Chirasoonton	13/14	-	-	6/6	-	-
7. Mr. Suvit Mapaisansin	14/14	-	6/6	-	-	-
8. Prof. Dr. Anya Khanthavit	13/14	-	-	-	12/13	-
9. Mr. Banyong Pongpanich	11/14	-	-	-	5/13	13/15 <sup>1</sup>
10. Ms. Thitinan Wattanavekin	12/14	-	-	-	-	13/15
11. Mr. Suraphol Kulsiri	13/14	-	-	-	-	-
12. Mr. Aphinant Klewpatinond	14/14	-	-	-	12/13	15/15

Remark <sup>/1</sup> Chairman/ Chairperson

<sup>/2</sup> Attended the meeting as an advisor

## Management \*

As of December 31, 2018, the Bank had the following management:

No.	Name-Surname		Position
1.	Mr. Aphinant	Klewpatinond	Member of the Executive Committee Chief Executive Officer Acting Chief Governance Officer
2.	Mr. Philip Chen Chong	Tan <sup>/1</sup>	Member of the Executive Committee President
3.	Mr. Pracha	Chumnarnkitkosol	Member of the Executive Committee First Executive Vice President Head of Special Asset Management Group
4.	Dr. Anuchit	Anuchitanukul	Member of the Executive Committee First Executive Vice President Head of Process and Product Improvement and Alternative Channel 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 <sup>/2</sup>	First Executive Vice President Head of Finance and Budgeting Group
8.	Mr. Trairak	Tengtrirat <sup>/3</sup>	First Executive Vice President Head of Corporate Banking Group



No.	Name-Surname		Position
9.	Mr. Therapong	Vachirapong	First Executive Vice President Head of Corporate Strategy Group
10.	Mr. Preecha	Techarungchaikul <sup>/4</sup>	First Executive Vice President Head of Financial Markets Group Acting Head of Finance and Budgeting 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.	Mrs. Penroong	Suwannakudt <sup>/5</sup>	First Executive Vice President Head of Human Resources Management Group
14.	Mr. Pattarapong	Raktabutr	First Executive Vice President Head of Alternative Distribution Channel Group
15.	Mr. Manit	Wannavanit	First Executive Vice President Head of Sales and Distribution Group
16.	Mr. Worrakrit	Jaruwongpak	First Executive Vice President Head of Operations Group
17.	Mr. Sammit	Sakulwira	First Executive Vice President Head of Commercial Lending Group
18.	Mr. Norachet	Sangruji <sup>/6</sup>	First Executive Vice President Advisor to Chief Executive Officer
19.	Mrs. Kessara	Liengchayetz	Executive Vice President Department Head of Sales
20.	Mr. Jakrawarn	Jakrawarnwibul	Executive Vice President Department Head of Trading
21.	Mr. Chawalit	Lawang	Executive Vice President Deputy Head of Operations Group
22.	Mr. Chainarong	Rojanasintu	Executive Vice President Department Head of Corporate Lending
23.	Dr. Narong	Preedanan	Executive Vice President Head of Office of Internal Audit
24.	Mrs. Pichaya	Sotangkur	Executive Vice President Department Head of Commercial Credit Analysis
25.	Ms. Petcharat	Keeratipyboon	Executive Vice President Deputy Head of Commercial Lending Group
26.	Mr. Romsai	Tandakoseya	Executive Vice President Department Head of Commercial and Financial Institutions Credit Risk Management
27.	Mr. Wanakan	Kanjanasoon	Executive Vice President Department Head of Marketing and Strategy
28.	Mr. Somkiat	Jompratchaya	Executive Vice President Department Head of Retail Credit Risk Management
29.	Mrs. Suwannee	Wattanavekin	Executive Vice President Department Head of Foreclosed Property Management
30.	Mr. Hirunrooj	Loutheeravong	Executive Vice President Deputy Head of Sales and Distribution Group
31.	Mr. Anuwat	Ruamsuke	Executive Vice President Department Head of Debt Capital Market





No.	Name-Surname		Position
32.	Mr. Aphichart	Chongsanguanpradab	Executive Vice President Head of Office of Compliance
33.	Mr. Partsakorn	Boonyaprasit	Senior Vice President Department Head of Channels Development Acting Department Head of Services and Support System Development
34.	Mr. Phayak	Subsomboon	Senior Vice President Deputy Head of Sales and Distribution Group Acting Regional Director - Hire Purchase Business BKK Acting Regional Director - Hire Purchase Business Province 3 Acting Regional Director - Hire Purchase Business Province 4 Acting Department Head of Auto Inventory Finance
35.	Mr. Thaworn	Chuengoen	Senior Vice President Regional Director - Commercial Bank Business Province 2 Acting Regional Director - Commercial Bank Business Province 1
36.	Ms. Sanikorn	Suparp	Senior Vice President Deputy Head of Priority Banking Group
37.	Ms. Nilawan	Treekitjamroon	Senior Vice President Department Head of Accounting

Remarks \* Including persons with management authority according to the definition of the Bank of Thailand

<sup>/1</sup> Appointment effective on October 1, 2018

<sup>/2</sup> Retirement effective on January 1, 2019

<sup>/3</sup> Appointment effective on October 1, 2018

<sup>/4</sup> Acting Head of Finance and Budgeting Group effective on January 1, 2019

<sup>/5</sup> Appointment effective on May 1, 2018

<sup>/6</sup> Position change effective on October 1, 2018

## Corporate Secretary

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

1. Advise directors on basic laws and regulations which 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 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 the management prepare reports 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 Chairperson of Audit Committee as stipulated by the law;
5. Manage the disclosure of information 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 Supervisory Board and the Board of Directors.



# 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 considers the Board structure according to the Board skill matrix, which has been approved by the Board of Directors, to determine necessary qualifications, knowledge, skills and experiences of new directors so that the Board of Directors' component is 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, the SET and the Bank of Thailand 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 to the Board of Directors for appointment or to seek shareholders' approval (as the case may be). 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 of TSD.

The Nomination and Remuneration Committee will evaluate the qualifications of the nominees and



give opinion to the Board of Directors for further consideration and proposing to the shareholders' meeting. The Board's resolution is considered final.

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

## Nomination of Executives

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

For other management positions, 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, Person with Management Authority or Advisors

The Bank has set the guideline for appointing directors, executives, persons with management authority or advisors of the Bank so that the approval of such persons complies with the notification of the SEC and the SET, the Financial Institution Business Act B.E. 2551 (2008) 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, persons with management authority 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 (2008), and possess an additional three aspects required by the Bank of Thailand which include 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 (as the case may be).



# 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'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 2018 Annual General Meeting of Shareholders, dated on April 24, 2018, approved a budget of Baht 30 million for the directors' remuneration (excluding directors' bonus) for the year 2018. The remuneration included retaining fee, attendance fee, remuneration for the advisors of the sub-committees paid to the Chairman of the Board of Directors and Chairman of the Executive Committee and other general benefits, such as group life and health insurances, and 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 of 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 of 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 2018, the Board of Directors would propose to the 2019 Annual General Meeting of Shareholders for approval.

Executive directors, who receive monthly salary as employees of the Bank or Group companies, shall not be eligible for monthly retaining fee, attendance fee and bonus as directors of the Bank.

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 2018. 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 24,903,130 which was under the 2018 directors' remuneration budget of Baht 30 million but excluded directors' bonus which would be proposed to the 2019 Annual General Meeting of Shareholders for approval. Furthermore, there was the remuneration of Baht 3,570,000 paid to the Bank's directors, who were also directors and/ or sub-committee members of the Group companies.



(Unit : Baht)

No.	Board of Directors	Retaining Fee	Attendance Fee (Based on their attendance)								Retaining Fee	Total Directors' Remuneration of the Bank	2018 Bonus (Paid in 2019) <sup>1/</sup>	Total Directors' Remuneration of the Group Companies	Grand Total
			Audit Committee	Nomination and Remuneration Committee	Compliance and Governance Committee	Risk Management Committee	Executive Committee	Main Credit and Foreclosed Property Committee	Credit and Foreclosed Property Committee	Investment Committee	Human Resource Management Committee				
1.	Mr. Supol Wattanavekin	1,200,000	-	-	-	540,000	-	-	-	-	-	3,000,000	2,550,000	7,290,000	7,290,000
2.	Mrs. Dayana Bunnag	600,000	585,000	-	-	-	-	-	-	-	-	-	1,275,000	2,460,000	2,460,000
3.	Mr. Chet Pattrakornkul	600,000	390,000	180,000	270,000	-	-	-	-	-	-	-	1,275,000	2,715,000	2,715,000
4.	Mr. Pongtep Polanun	600,000	-	-	-	-	-	2,070,000	2,070,000	270,000	-	-	1,275,000	6,285,000	6,285,000
5.	Mr. Veravat Chutichelpong	600,000	360,000	270,000	-	-	-	-	-	-	-	-	1,275,000	2,505,000	2,505,000
6.	Mr. Tamin Chirasoonton	600,000	-	-	180,000	-	-	-	-	-	-	-	1,275,000	2,055,000	2,055,000
7.	Mr. Suvit Mapaisansin	600,000	-	180,000	-	-	-	-	-	-	-	-	1,275,000	2,055,000	2,745,000
8.	Prof. Dr. Anya Khanthavit	600,000	-	-	-	360,000	-	-	-	-	-	-	1,275,000	2,235,000	3,045,000
9.	Mr. Banyong Pongpanich	600,000	-	-	-	150,000	585,000	-	-	495,000	-	3,600,000	2,550,000	7,980,000	9,360,000
10.	Ms. Thitinan Wattanavekin	600,000	-	-	-	-	390,000	-	-	-	60,000	-	1,275,000	2,325,000	3,015,000
11.	Mr. Suraphol Kulsiri	600,000	-	-	-	-	-	1,380,000	-	-	-	-	1,275,000	3,255,000	3,255,000
12.	Mr. Aphinart Klewpatinond	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total		7,200,000	1,335,000	630,000	450,000	1,050,000	975,000	3,450,000	2,070,000	765,000	60,000	6,600,000	16,575,000	41,160,000	44,730,000

<sup>1/</sup> The Board of Directors will propose the directors' 2018 bonus to the 2019 Annual General Meeting of Shareholders for consideration and approval so it is in accordance with the actual performance of the Board of Directors and operating results of the Bank.

\* For the year 2018, the Bank has paid other general benefits, such as group life and health insurances, amounted to Baht 318,130.

\*\* Executive directors, who received monthly salary as employees from the Bank or Group companies, would not receive monthly retaining fee, attendance fee and bonus as directors of the Bank.





#### Remuneration of Executives

On an annual basis, the Nomination and Remuneration Committee shall arrange the performance evaluation of the CEO (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 his appropriate compensation. The Chairman of the Board of Directors, Chairman of the Executive Committee and Chairman of the Nomination and Remuneration Committee shall jointly communicate the evaluation results to the CEO.

In 2018, the Bank paid compensation to fourteen executives, excluding four executives who were on secondment from subsidiaries, of Baht 231,670,833.33 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 their duties 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 refer to managers or executives at top-four level positions from Managing Director, and all employees, whose position levels are equivalent to 4<sup>th</sup> level top management positions, excluding 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 2018 was Baht 318,130.



Table shows changes in directors' KKP shareholding.

No.	Name of Director	Shareholding (Share)		Change Increase/ (Decrease) (Share)
		December 31, 2017	December 31, 2018	
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	50,000	50,000	-
	Spouse	-	-	-
	Minor Children	-	-	-
4.	Mr. Pongtep Polanun	488	488	-
	Spouse	-	-	-
	Minor Children	-	-	-
5.	Mr. Veravat Chutichetpong	1,029,739	1,029,739	-
	Spouse	-	-	-
	Minor Children	-	-	-
6.	Mr. Tarnin Chirasoonton	100,000	120,000	20,000
	Spouse	-	-	-
	Minor Children	-	-	-
7.	Mr. Suvit Mapaisansin	779,406	779,406	-
	Spouse	-	-	-
	Minor Children	-	-	-
8.	Prof. Dr. Anya Khanthavit	-	-	-
	Spouse	-	-	-
	Minor Children	-	-	-
9.	Mr. Banyong Pongpanich	1,000,046	1,000,046	-
	Spouse	-	-	-
	Minor Children	-	-	-



No.	Name of Director	Shareholding (Share)		Change Increase/ (Decrease) (Share)
		December 31, 2017	December 31, 2018	
10.	Ms. Thitinan Wattanavekin	35,532,761	35,532,761	-
	Spouse	-	-	-
	Minor Children	-	-	-
11.	Mr. Suraphol Kulsiri	97,000	100,000	3,000
	Spouse	-	-	-
	Minor Children	-	-	-
12.	Mr. Aphinant Klewpatinond	550,000	550,000	-
	Spouse	-	-	-
	Minor Children	-	-	-

Table shows changes in executives' KKP shareholding.

No.	Name of Executive	Shareholding (Share)		Change Increase/ (Decrease) (Share)
		December 31, 2017	December 31, 2018	
1.	Mr. Aphinant Klewpatinond	550,000	550,000	-
	Spouse	-	-	-
	Minor Children	-	-	-
2.	Mr. Philip Chen Chong Tan <sup>/1</sup>	N/A	-	-
	Spouse	N/A	-	-
	Minor Children	N/A	-	-
3.	Mr. Pracha Chumnarnkitkosol	-	-	-
	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, 2017	December 31, 2018	
6.	Mr. Chatchai Dusadenoad	-	-	-
	Spouse	-	-	-
	Minor Children	-	-	-
7.	Mr. Chavalit Chindavanig <sup>/2</sup>	375,000	375,000	-
	Spouse	-	-	-
	Minor Children	-	-	-
8.	Mr. Trairak Tengtrirat <sup>/3</sup>	N/A	-	-
	Spouse	N/A	-	-
	Minor Children	N/A	-	-
9.	Mr. Therapong Vachirapong	580	580	-
	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.	Mrs. Penroong Suwannakudt <sup>/4</sup>	N/A	-	-
	Spouse	N/A	-	-
	Minor Children	N/A	-	-
14.	Mr. Pattarapong Raktabutr	-	-	-
	Spouse	-	-	-
	Minor Children	-	-	-



No.	Name of Executive	Shareholding (Share)		Change Increase/ (Decrease) (Share)
		December 31, 2017	December 31, 2018	
15.	Mr. Manit Wannavanit	15,000	115,000	100,000
	Spouse	20,000	-	(20,000)
	Minor Children	-	-	-
16.	Mr. Worrakrit Jaruwongpak	-	-	-
	Spouse	-	-	-
	Minor Children	-	-	-
17.	Mr. Sammit Sakulwira	-	-	-
	Spouse	-	-	-
	Minor Children	-	-	-
18.	Mr. Norachet Sangruji	1,570,000	1,710,000	140,000
	Spouse	-	-	-
	Minor Children	-	-	-
19.	Ms. Nilawan Treekitjamroon	-	-	-
	Spouse	-	-	-
	Minor Children	-	-	-

Remarks <sup>/1</sup> Mr. Philip Chen Chong Tan was appointed as President effective on October 1, 2018. Hence, a number of shareholdings as of December 31, 2017 is not appropriate comparison.

<sup>/2</sup> Mr. Chavalit Chindavanig was retired effective on January 1, 2019.

<sup>/3</sup> Mr. Trairak Tengtrirat was appointed as First Executive Vice President, Head of Corporate Banking Group, effective on October 1, 2018. Hence, a number of shareholdings as of December 31, 2017 is not appropriate comparison.

<sup>/4</sup> Mrs. Penroong Suwannakudt was appointed as First Executive Vice President, Head of Human Resources Management Group effective on May 1, 2018. Hence, a number of shareholdings as of December 31, 2017 is not appropriate comparison.

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



Name-Surname Present Position	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
<b>1. Mr. Supol Wattanavekin</b> • Chairman of the Board of Directors <sup>1)</sup> • Chairman of the Risk Management Committee	63	• Master of Business Administration (Executive) Sasin Graduate Institute of Business Administration of Chulalongkorn University • Bachelor of Laws Ramkhamhaeng University  <b>Director Training Programs:</b> • Chairman Dinner (2018) "Social Responsibilities in Action" Thai Institute of Directors Association (IOD) • Chairman Dinner (2017) Thai Institute of Directors Association (IOD) • Family Business Club Event (3/2017) Thai Institute of Directors Association (IOD) • SET 100 Civil and State Cooperation (2016) The Stock Exchange of Thailand (SET) • Risk Management Program for Corporate Leader (RCL 3/2016) Thai Institute of Directors Association (IOD) • CG Forum 4/2015 - Thailand CG Forum "Governance as a Driving Force for Business Sustainability" The Stock Exchange of Thailand (SET) • Director Certification Program Update (DCPU 1/2014) Thai Institute of Directors Association (IOD) • CG Forum 2/2014 Corporate Governance in the Perspective of Investors The Stock Exchange of Thailand (SET) • Chairman Forum 1/2013 Meeting the AEC Challenge: Role of the Chairman Thai Institute of Directors Association (IOD) • CG Forum 3/2013 Conflict of Interest: Fighting Abusive RPT The Securities and Exchange Commission (SEC) • Chairman Forum 2/2013 Role of the Chairman's business code of conduct Thai Institute of Directors Association (IOD)	Ms.Thitinan Wattanavekin's brother	13,676,850 (1.62)	<b>Kiatnakin Phatra Financial Group</b>		
					2011 - present	Chairman of the Board of Directors Chairman of the Risk Management Committee	Kiatnakin Bank Public Company Limited
					<b>Other Listed Companies</b>		
					2004 - present	Director	The Erawan Group Public Company Limited
					<b>Non-Listed Companies</b>		
					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 is included share numbers of spouse and minor children

<sup>1)</sup> Appointed as the Chairman of the Board of Directors effective on January 1, 2011  
 - Appointed as a director effective on February 9, 1974





Name-Surname Present Position	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"> <li>Financial Institution Governance Program (FGP 2/2011)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>Financial sector Restructuring in Thailand: From present to the future (Special Seminar 1/2010)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>The 5<sup>th</sup> SEACEN / ABAC / ABA / PECC Public Private Dialogue for the Asia Pacific Region (2009)</li> <li>The South East Asia Central Bank Research and Training Center, Malaysia</li> <li>Corporate Governance Report of Thai Listed Companies (2007)</li> <li>Thai Listed Companies Association</li> <li>Leadership, Strategic Growth and Change (2006)</li> <li>Sasin Graduate Institute of Business Administration of Chulalongkorn University</li> <li>Organizing and Managing Strategic Alliances for Success and Profit (2006)</li> <li>Sasin Graduate Institute of Business Administration of Chulalongkorn University</li> <li>Director Certification Program (DCP 76/2006)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>Director Accreditation Program (DAP 56/2006)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>Orchestrating Winning Performance (2005)</li> <li>IMD International, Switzerland</li> <li>Board &amp; CEO Assessment (2003),</li> <li>Thai Institute of Directors Association (IOD)</li> <li>The Role of the Chairman Program (RCP 1/2000)</li> <li>Thai Institute of Directors Association (IOD)</li> </ul>					

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



Name-Surname Present Position	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 <sup>†1</sup> • Chairperson of the Audit Committee	66	<ul style="list-style-type: none"> <li>• Master of Business Administration University of Texas, Austin, U.S.A.</li> <li>• Bachelor of Economics (2<sup>nd</sup> Class Honors) Chulalongkorn University</li> </ul> <b>Director Training Programs:</b> <ul style="list-style-type: none"> <li>• Audit Committee Forum "Upcoming Financial Reporting Standards (IFRS 9, 15 and 16): Major Changes of Financial Reporting" (2018) KPMG In Thailand</li> <li>• Bangkok Fin Tech Fair 2018: SME and Consumer Financial Solutions Bank of Thailand (BOT)</li> <li>• Seminar: Cyber Resilience Leadership (2017) Bank of Thailand (BOT)</li> <li>• Independent Director Forum 2017 "Updated COSO Enterprise Risk Management: Integrating with Strategy and Performance"</li> <li>• Thai Institute of Directors Association (IOD)</li> <li>• Advance Audit Committee Program (AACP 25/2017)</li> <li>• Thai Institute of Directors Association (IOD)</li> <li>• Director Certification Program Update (DCPU 5/2015)</li> <li>• Thai Institute of Directors Association (IOD)</li> <li>• Corporate Governance for Capital Market Intermediaries (CGI 4/2015)</li> <li>• Thai Institute of Directors Association (IOD)</li> <li>• Role of the Nomination and Governance Committee (RNG 4/2013)</li> <li>• Thai Institute of Directors Association (IOD)</li> <li>• Capital Market Academy Leadership Program (CMA 11/2011)</li> <li>• Capital Market Academy</li> <li>• Role of the Compensation Committee (RCC 11/2010)</li> <li>• Thai Institute of Directors Association (IOD)</li> <li>• Director Certification Program (DCP 2/2000)</li> <li>• Thai Institute of Directors Association (IOD)</li> </ul>	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		
					Jul 2018 - present	Director	Eduvision Company Limited
					2014 - present	Chairperson of the Compliance and Audit Committee	Ocean Life Insurance Public Company Limited
					2012 - present	Independent Director	
					2012 - present	Advisor to the President Vice Chairman of the Executive Committee	Bangkok University
					2005 - present	Director	Buranburi Security Guard Company Limited
					2015 - Oct 2018	Member of the Investment Sub-committee	National Savings Fund
					2012 - 2017	Member of Committee on Consideration of Guidelines for Investment of Insurance Companies in Other Businesses	Office of Insurance Commission
					2012 - 2017	Member of Committee on Consideration of Draft Insurance Commission Declarations	
					Feb - Apr 2016	Director of the Pension Integration Committee	Ministry of Finance
					2015 - 2016	Director Member of the Audit Committee	Metropolitan Electronic Authority
					Jul - Nov 2014	Director Member of the Audit Committee	

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



Name-Surname Present Position	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"> <li>Fund Manager Course</li> <li>- Course 1/1996</li> <li>- Refresher Course 7/2005</li> <li>- Refresher Course 11 (2/2007)</li> <li>- Refresher Course 15 (2/2009)</li> </ul> Association of Investment Management Companies			2009 - 2014	Expert Board Member of The Capital Market Advisory Board	The Securities and Exchange Commission
					2010 - 2014	Chairperson of Disciplinary Committee on Capital Market Personnel	
					2012 - 2013	Chairperson of Sub-committee on Consideration of Rules Concerning Issuance and Offering of Debts and Sukuk	
					2012 - 2013	Chairperson of Sub-committee on Consideration of Rules Concerning Issuance and Offering of Derivative, Structured Notes and Complex Products	
					2010 - 2013	Working Group for Consideration of SRO Approval Criteria	
					2010 - 2012	Chairperson of Sub-committee on Consideration of Draft Notifications Concerning Issuance and Offering of Debts	
					2010 - 2012	Chairperson of Sub-committee on Consideration of Rules Concerning Issuance and Offering of Sukuk	
					2010 - 2012	Chairperson of Sub-committee on Consideration of Draft Notifications Concerning Issuance and Offering of Equities and Management of Securities Issuing Companies	
					2010 - 2012	Chairperson of Sub-committee on Consideration of Draft Notification Concerning Issuance and Offering of Derivatives and Structured Notes	

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



Name-Surname Present Position	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 Pattrakornkul • Independent Director <sup>1)</sup> • Chairman of the Compliance and Governance Committee • Member of the Audit Committee • Member of the Nomination and Remuneration Committee	70	<ul style="list-style-type: none"> <li>• Master's in Marketing (Certificate Program) Thammasart University</li> <li>• Bachelor of Science (Public Administration) Ramkhamhaeng University</li> </ul> <b>Director Training Programs:</b> <ul style="list-style-type: none"> <li>• IT Governance and Cyber Resilience Program (ITG 9/2018)</li> <li>• Thai Institute of Directors Association (IOD)</li> <li>• Seminar: Director Briefing (1/2018) "Start Less, Finish More: Building Strategic Agility with Objectives and Key Results"</li> <li>• Thai Institute of Directors Association (IOD)</li> <li>• Bangkok Fin Tech Fair 2018: SME and Consumer Financial Solutions</li> <li>• Bank of Thailand (BOT)</li> <li>• Seminar: IOD Director Briefing 1/2018 "Burning Issues Directors Need to Hear in the Year of the Dog"</li> <li>• Thai Institute of Directors Association (IOD)</li> <li>• Seminar: Cyber Resilience Leadership (2017)</li> <li>• Bank of Thailand (BOT)</li> <li>• Independent Director Forum 2017 "Update COSO Enterprise Risk Management: Integrating with strategy and performance"</li> <li>• Thai Institute of Directors Association (IOD)</li> <li>• Boards that Make a Difference (BMD 4/2017)</li> <li>• Thai Institute of Directors Association (IOD)</li> <li>• Forum for director: Nomination Committee Best Practice Guideline (1/2017)</li> <li>• Thai Institute of Director Association (IOD)</li> <li>• Audit Committee Forum: The Role Audit Committee's Role in Compliance and Ethical Culture Oversight (1/2017)</li> <li>• Thai Institute of Directors Association (IOD)</li> <li>• Forum for director: Corporate Governance Code (2016)</li> <li>• Thai Institute of Directors Association (IOD)</li> <li>• Corporate Governance for Capital Market Intermediaries (CGI 10/2015)</li> <li>• Thai Institute of Directors Association (IOD)</li> </ul>	None	50,000 (0.01)	<b>Kiatnakin Phatra Financial Group</b>		
					2011 - present	Chairman of the Compliance and Governance Committee	Kiatnakin Bank Public Company Limited
					2007 - present	Member of the Audit Committee	
					2006 - present	Member of the Nomination and Remuneration Committee	
					2006 - present	Independent Director	
					2005 - 2006	Director	
					<b>Other Listed Companies</b>		
					None		
					<b>Non-Listed Companies</b>		
					2005 - present	Advisor	Thai Hire - Purchase Association

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



Name-Surname Present Position	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"> <li>CG Forum 1/2015 "CG in Substance Corporate Culture and CG Principles"</li> <li>The Stock Exchange of Thailand (SET)</li> <li>Director Certification Program Update (DCPU 1/2014)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>Financial Institutions Governance Program (FGP 2013)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>CG Forum 4/2013 "The Updated COSO's 2013 Integrated Internal Control: what the Board and Managements should do"</li> <li>Thai Institute of Directors Association (IOD)</li> <li>The 2<sup>nd</sup> National Director Conference 2013</li> <li>"Board Leadership Evolution"</li> <li>Thai Institute of Directors Association (IOD)</li> <li>Role of the Nomination and Governance Committee (RNG 1/2011)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>Financial Institutes Reform in Thailand from Present to the Future (2010)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>Economy After the Crisis (2010)</li> <li>Thai Institute of Director Association (IOD)</li> <li>The Board's Role on Fraud Prevention and Detection (2010)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>Monitoring the System of Internal Control and Risk Management (MIR 5/2009)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>Monitoring of the Quality of Financial Reporting (MFR 7/2009)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>Monitoring Fraud Risk Management (MFM 1/2009)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>Board and Director Performance Evaluation (R-WS workshop 2/2008)</li> <li>Thai Institute of Directors Association (IOD)</li> </ul>					

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



Name-Surname Present Position	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"> <li>• Corporate Governance Report of Thai Listed Companies (2007)</li> <li>• Thai Listed Companies Association</li> <li>• Monitoring the Internal Audit Function (MIA 1/2007)</li> <li>• Thai Institute of Directors Association (IOD)</li> <li>• Audit Committee Program (ACP 17/2007)</li> <li>• Thai Institute of Directors Association (IOD)</li> <li>• Role of the Compensation Committee (RCC 1/2006)</li> <li>• Thai Institute of Directors Association (IOD)</li> <li>• DCP Refresher Course (3/2006)</li> <li>• Thai Institute of Directors Association (IOD)</li> <li>• Director Certification Program (DCP 9/2001)</li> <li>• Thai Institute of Directors Association (IOD)</li> </ul>					

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





Name-Surname Present Position	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 <sup>1/</sup>	64	<ul style="list-style-type: none"> <li>• Master of Business Administration (Management) Sasin Graduate Institute of Business Administration of Chulalongkorn University</li> <li>• Master of Economics (Financial Economics) The National Institute of Development Administration</li> <li>• Bachelor of Economics Thammasat University</li> </ul> <b>Director Training Programs:</b> <ul style="list-style-type: none"> <li>• Seminar: Director Briefing 1/2018 "Start Less, Finish More: Building Strategic Agility with Objectives and Key Results"</li> <li>• Thai Institute of Directors Association (IOD)</li> <li>• Seminar: Cyber Resilience Leadership (2017) Bank of Thailand (BOT)</li> <li>• Director Accreditation Program (DAP 36/2005) Thai Institute of Directors Association (IOD)</li> </ul>	None	488 (0.00)	<b>Kiatnakin Phatra Financial Group</b>		
					2012 - present	Independent Director	Kiatnakin Bank Public Company Limited
					2010 - 2012	Independent Director Member of the Audit Committee	Phatra Capital Public Company Limited
					2003 - 2012	Independent Director Member of the Audit Committee	Phatra Securities Public Company Limited
					<b>Other Listed Companies</b>		
					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
					<b>Non-Listed Companies</b>		
					2007 - present	Director	K S P Square Company Limited
					2010 - 2012	Chairman of the Board of Directors	Krung Thai IBL Leasing Company Limited

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



Name-Surname Present Position	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
<b>5. Mr. Varavat Chutichetpong</b> • Independent Director <sup>/1</sup> • Member of the Audit Committee • Chairman of the Nomination and Remuneration Committee  <sup>/1</sup> Appointed effective on November 30, 2016	58	• Master of Business Administration (Finance) New York University, U.S.A. • BE in Civil Engineering, Chulalongkorn University  <b>Director Training Programs:</b> • Seminar: Cyber Resilience Leadership (2017) Bank of Thailand (BOT) • Corporate Governance for Capital Market Intermediaries (CGI 15/2016) Thai Institute of Directors Association (IOD) • Director Accreditation Program (DAP 40/2005) Thai Institute of Directors Association (IOD)	None	1,029,739 (0.12)	<b>Kiatnakin Phatra Financial Group</b>		
					2017 - present	Chairman of the Nomination and Remuneration Committee Member of the Audit Committee	Kiatnakin Bank Public Company Limited
					2016 - present	Independent Director	
					2012 - 2013	Director	
					2010 - 2016	Director	Phatra Capital Public Company Limited
					2011 - 2016	Chairman of the Audit Committee	Phatra Securities Public Company Limited
					2003 - 2016	Director	
					<b>Other Listed Companies</b>		
					2016 - present	Director	Central Pattana Public Company Limited
					2016 - present	Member of the Audit Committee	
					<b>Non-Listed Companies</b>		
					2014 - present	Chairman of the Board of Directors	Aksorn Education Public Company Limited
					2010 - present	Director	Alpha Absolute Company Limited

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



Name-Surname Present Position	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
6. Mr. Tarnin Chirasoonton • Director <sup>1/</sup> • Member of the Compliance and Governance Committee	66	<ul style="list-style-type: none"> <li>Bachelor of Law Ramkhamhaeng University</li> <li><b>Director Training Programs:</b> <ul style="list-style-type: none"> <li>IT Governance and Cyber Resilience Program (ITG 8/2018)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>Seminar: Director Briefing 1/2018 "Start Less, Finish More: Building Strategic Agility with Objectives and Key Results"</li> <li>Seminar: Cyber Resilience Leadership (2017)</li> <li>Bank of Thailand (BOT)</li> <li>Corporate Governance for Capital Market Intermediaries (CGI 1/2016)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>CG Forum 3/2015 "Risk Oversight: High Priority Roles Of the Board"</li> <li>The Stock Exchange of Thailand (SET)</li> <li>CG Forum 1/2015 "CG in Substance Corporate Culture and CG Principles"</li> <li>The Stock Exchange of Thailand (SET)</li> <li>Director Certification Program Update (DCPU 1/2014)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>Role of the Nomination and Governance Committee (RNG 1/2011)</li> <li>DCP Refresher Course (5/2007)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>Advanced Business Management For Executive Program (ABM Exec 2005)</li> <li>The Continuing Education Center, Chulalongkorn University</li> <li>Public Administration Course (2003)</li> <li>Political Science Faculty, Thammasat University</li> <li>Director Certification Program (DCP 10/2001)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>Real Estate and Skyscraper Management (1993)</li> <li>Faculty of Architecture, Chulalongkorn University</li> </ul> </li> </ul>	None	120,000 (0.01)	Kiatnakin Phatra Financial Group		Kiatnakin Bank Public Company Limited
					2011 - present	Member of the Compliance and Governance Committee	
					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 is included share numbers of spouse and minor children



Name-Surname Present Position	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
<b>7. Mr. Suwit Mapaisansin</b> • Director <sup>1)</sup> • Member of Nomination and Remuneration Committee  <sup>1)</sup> Appointed effective on September 12, 2012	59	• Master of Business Administration (Finance & International Business) Sasin Graduate Institute of Business Administration of Chulalongkorn University • Bachelor of Economics Chulalongkorn University  <b>Director Training Programs:</b> • Seminar: Director Briefing 1/2018 "Start Less, Finish More: Building Strategic Agility with Objectives and Key Results" • Seminar: Cyber Resilience Leadership (2017) Thai Institute of Directors Association (IOD) • Seminar: Corporate Governance for Capital Market Intermediaries (CGI 5/2015) Thai Institute of Directors Association (IOD) • Audit Committee Program (ACP 3/2011) Thai Institute of Directors Association (IOD) • Director Certification Program (DCP 12/2001) Thai Institute of Directors Association (IOD)	None	779,406 (0.09)	<b>Kiatnakin Phatra Financial Group</b>		
					2016 - present	Member of 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
					2017 - Feb 2018	Chairman of the Audit Committee	
					2012 - 2017	Member of the Audit Committee	
					2009 - 2012	Executive Director	
					2012 - 2015	Chairman of the Board of Directors	Phatra Asset Management Company Limited
					<b>Other Listed Companies</b>		
					2015 - present	Independent Director Member of the Audit Committee	GMM Grammy Public Company Limited
					2011 - 2017	Independent Director Member of the Audit Committee	Golden Lime Public Company Limited
					2011 - 2012	Chairman of the Audit Committee	Krungthai Card Public Company Limited
					2009 - 2012	Independent Director	
					<b>Non-Listed Companies</b>		
					Sep 2018 - present	Director	Alpha Absolute Company Limited
					2015 - present	Director	Techcare International Company Limited
					2009 - present	Director	RPIC Plc. Ltd.
					2008 - present	Director	Ruamphon Phatra International Corp.
					2012 - 2015	Chairman of the Board of Directors	KKTRADE Securities Company Limited

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



Name-Surname Present Position	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
8. Prof. Dr. Anya Khanthavit • Director <sup>1)</sup> • Member of the Risk Management Committee	56	<ul style="list-style-type: none"> <li>Ph.D., International Business and Finance, New York University, U.S.A.</li> <li>M.Phil. (Alpha Gamma Sigma), International Business and Finance, (Honors) New York University, U.S.A.</li> <li>M.Sc. Transportation Management (Honors), State University of New York Maritime College, U.S.A.</li> <li>Bachelor of Accounting, Thammasat University</li> </ul> <p><b>Director Training Programs:</b></p> <ul style="list-style-type: none"> <li>Strategic Board Master Class (SBM 5/2018)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>Study trip for the development and planning energy at Germany, Kingdom of Spain and the French Republic (2018)</li> <li>The Electricity Generating Authority of Thailand</li> <li>Value Creation and Enhancement for Listed Companies with the New COSO 2017 Enterprise Risk Management (ERM)</li> <li>Faculty of Commerce and Accountancy Thammasat University with the Stock Exchange of Thailand</li> <li>Capital Market Academy Leadership Program (CMA 23/2016)</li> <li>Capital Market Academy</li> <li>Advance Audit Committee Program (AACCP 19/2015)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>Director Certification Program (DCP 99/2008)</li> <li>Thai Institute of Directors Association (IOD)</li> </ul>	None	None	<b>Kiatnakin Phatra Financial Group</b>		
					2017 - present	Director	Kiatnakin Bank Public Company Limited
					2012 - present	Member of the Risk Management Committee	
					2012 - 2017	Risk Management Advisor	
					2008 - 2012	Director	Phatra Securities Public Company Limited
					2008 - 2012	Advisor	
					2010 - 2012	Director	Phatra Capital Public Company Limited
					<b>Other Listed Companies</b>		
					2017 - present	Independent Director Member of Audit Committee	The Electricity Generating Public Company Limited
					<b>Non-Listed Companies</b>		
					May 2018 - present	Director	Tobacco Authority of Thailand
					2017 - present	Member of Appeal Committee	Thailand Futures Exchange Public Company Limited (TFEX)
					2015 - present	Member of the Thailand Quality Award Committee	Thailand Quality Award
					2012 - present	Member of the Public Science Subsidiary Board	Ministry of Finance
					2008 - present	Member of the Risk Management Sub-committee	The Stock Exchange of Thailand
					2005 - present	Professor of Banking and Finance (Level 11, Highest Class)	Thammasat University
					2002 - present	Member of the Performance Assessment Committee for State Enterprises	Ministry of Finance
					2002 - present	Director	Sangvian Foundation

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



Name-Surname Present Position	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
					2012 - 2018	Expert Board Member of the Policy and Public Management Committee	Ministry of Finance
					2014 - 2018	Director	Thailand Tobacco Monopoly, 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 consultants and arbitrators to settle disputes from trading transactions bond	Thai Bond Market Association

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



Name-Surname Present Position	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
<b>9. Mr. Banyong Pongpanich</b> • Director <sup>1/</sup> (Authorized director) • Chairman of the Executive Committee • Member of the Risk Management Committee  <sup>1/</sup> Appointed effective on April 26, 2012	64	• Master of Business Administration (Finance & International Business) Sasin Graduate Institute of Business Administration of Chulalongkorn University • Bachelor of Economics Chulalongkorn University  <b>Director Training Programs:</b> • Corporate Governance for Capital Market Intermediaries (CGI 15/2016) Thai Institute of Directors Association (IOD) • Anti-Corruption for Executive Program (ACEP 2/2012) Thai Institute of Directors Association (IOD) • Director Accreditation Program (DAP 36/2005) Thai Institute of Directors Association (IOD) • The Role of the Chairman Program (RCP 5/2001) Thai Institute of Directors Association (IOD)	None	1,000,046 (0.12)	<b>Kiatnakin Phatra Financial Group</b>		
					2012 - present	Director Chairman of the Executive Committee Member of the Risk Management Committee	Kiatnakin Bank Public Company Limited
					2012 - 2015	Chief Executive Officer	
					2010 - present	Chairman of the Board of Directors	Phatra Capital Public Company Limited
					2003 - present	Chairman of the Board of Directors	Phatra Securities Public Company Limited
					<b>Other Listed Companies</b>		
					2004 - present	Independent Director	The Erawan Group Public Company Limited
					2010 - 2017	Chairman of the Nomination and Remuneration Committee	Muang Thai Insurance Public Company Limited
					2008 - 2017	Independent Director	
					2008 - 2012	Member of the Audit Committee	
					2009 - 2011	Director	Thai Airways International Public Company Limited
					<b>Non-Listed Companies</b>		
					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.
					2008 - present	Director	Ruamphon Phatra International Corp.

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





Name-Surname Present Position	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
					2007 - present	Independent Director Chairman of the Nomination and Remuneration Committee	Don Muang Tollway Public 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
					2002 - May 2018	Director	Cellennium (Thailand) Company Limited
					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 is included share numbers of spouse and minor children



Name-Surname Present Position	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
10. Ms. Thitinan Wattanavekin • Director <sup>1)</sup> (Authorized director) • Member of the Executive Committee	61	<ul style="list-style-type: none"> <li>Master of Management (Management)</li> <li>Sasin Graduate Institute of Business Administration of Chulalongkorn University</li> <li>Bachelor of Science (Public Affairs)</li> <li>University of Southern California, U.S.A.</li> </ul> <b>Director Training Programs:</b> <ul style="list-style-type: none"> <li>Bangkok Fin Tech Fair 2018: SME and Consumer Financial Solutions</li> <li>Bank of Thailand (BOT)</li> <li>Seminar: Cyber Resilience Leadership (2017)</li> <li>Bank of Thailand (BOT)</li> <li>Anti-Corruption: The Practical Guide (ACPG 33/2016)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>IOD Special Event 6/2016: Family Business Club Dinner: The Professional Management Succession of Family Business</li> <li>Thai Institute of Directors Association (IOD)</li> <li>Director Certification Program Update (DCPU 5/2015)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>Corporate Governance for Capital Market Intermediaries (CGI 8/2015)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>Role of the Nomination and Governance Committee Program (RNG 6/2014)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>Financial Institutions Governance Program (FGP 5/2012)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>Financial Planning for Executive (2012)</li> <li>Thai Financial Planners Association</li> <li>Current Issue Seminar (R-CIS 1/2008)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>Corporate Governance and Social Responsibility (CSR 1/2007)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>Capital Market Academy Leadership Program (CMA 2/2006)</li> <li>Capital Market Academy</li> <li>Board Performance Evaluation (2006)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>DCP Refresher Course (DCP 1/2005)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>Directors Certification Program (DCP 1/2000)</li> <li>Thai Institute of Directors Association (IOD)</li> </ul>	Mr. Supol Wattanavekin's 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

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Name-Surname Present Position	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
11. Mr. Suraphol Kulsiri • Director <sup>/1</sup> (Authorized director)	66	<ul style="list-style-type: none"> <li>Bachelor of Business Administration (Marketing) Bangkok University</li> </ul> <b>Director Training Programs:</b> <ul style="list-style-type: none"> <li>Bangkok Fin Tech Fair 2018: SME and Consumer Financial Solutions</li> <li>Bank of Thailand (BOT)</li> <li>Risk Management Committee Program for Corporate Leader (RCL 11/2018)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>IOD Special Event 6/2016: Family Business Club Dinner: The Professional Management Succession of Family Business</li> <li>Thai Institute of Directors Association (IOD)</li> <li>CG Forum 2016 "Honesty, Caution: Shield for directors" The Stock Exchange of Thailand(SET)</li> <li>Director Certification Program Update (DCPU 5/2015)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>Role of the Nomination and Governance Committee Program (RNG 6/2014)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>Role of the Compensation Committee (RCC 3/2007)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>Director Certification Program (DCP 13/2001)</li> <li>Thai Institute of Director Association (IOD)</li> </ul>	None	100,000 (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 Disciplinary Sub-committee	Association of Thai Securities Companies
					2015 - present	Member of Appeal Committee	Thailand Futures Exchange Public Company Limited (TFEX)
					2003 - 2011	Director Chairman of the Executive Committee	KKTRADE Securities Company Limited

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

<sup>/1</sup> Appointed effective on June 21, 2004



Name-Surname Present Position	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
<b>12. Mr. Aphinart Kiewpatinond</b> • Director <sup>1/</sup> (Authorized director) • Chief Executive Officer <sup>2/</sup> • Member of the Executive Committee • Member of the Risk Management Committee  <sup>1/</sup> Appointed effective on September 12, 2012 <sup>2/</sup> Appointed effective on January 1, 2016	49	• 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  <b>Director Training Programs:</b> • CEO CLUB 2018 "Start Less Finish More: Building Agility and Engagement with Objective and Key Results (OKRs)" The Stock Exchange of Thailand (SET) • Corporate Governance for Capital Market Intermediaries (CGI 15/2016) Thai Institute of Directors Association (IOD) • Directors Accreditation Program (DAP 82/2010) Thai Institute of Directors Association (IOD) • Capital Market Academy Leadership Program (CMA 10/2010) Capital Market Academy	None	550,000 (0.06)	<b>Kiatnakin Phatra Financial Group</b>		
					2016 - present	Chief Executive Officer	Kiatnakin Bank Public Company Limited
					2012 - present	Director Member of the Executive Committee Member of the Risk Management Committee	
					2012 - Sep 2018	President	
					2013 - 2016	Chairman of Commercial Banking Business	
					2012 - 2013	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	
					Mar 2018 - present	Director	KKP Tower Company Limited
					<b>Other Listed Companies</b>		
					2011 - 2013	Independent Director Member of the Audit Committee	Siracha Construction Public Company Limited
					<b>Non-Listed Companies</b>		
					2009 - present	Director	RPIC Pte. Ltd.
					2014 - Mar 2018	Director	The Thai Bankers' Association
					2015 - 2017	Director	Thai Listed Companies Association
					2015 - 2016	Chairman of the Board of Directors	KKTRADE Securities Company Limited
					2012 - 2015	Director	

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



Name-Surname Present Position	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
<b>13. Mr. Philip Chen Chong Tan</b> • President <sup>/1</sup> • Member of the Executive Committee • Member of the Risk Management Committee  <sup>/1</sup> Appointed effective on October 1, 2018	53	• Master of Management (Management) Sasin Graduate Institute of Business Administration of Chulalongkorn University • Bachelor of Science Electrical Engineering, University of Maryland, U.S.A.  <b>Director Training Programs:</b> • Capital Market Academy Leadership Program (CMA 23/2016) Capital Market Academy • Director Certification Program (DCP 175/2013) Thai Institute of Directors Association (IOD) • GE Six Sigma Quality Leader Certification - BMC 2011 - LIG 2007 - MDC 2006 GE Crotonville Courses	None	None	<b>Kiatnakin Phatra Financial Group</b>		
					Oct 2018 - Present	President	Kiatnakin Bank Public Company Limited
						Member of the Executive Committee	
						Member of the Risk Management Committee	
					<b>Other Listed Companies</b>		
					2016 - 2017	Director Chief Executive Officer	Intouch Holdings Public Company Limited
					2015 - 2016	President	
					2016 - 2017	Director Member of the Executive Committee	Advance Info Service Public Company Limited
					2016 - 2017	Director Member of the Executive Committee	Thaicom Public Company Limited
					Jul - Oct 2015	Senior Executive Vice President	Bank of Ayudhya Public Company Limited
					Jan - Jun 2015	Head of Retail and Consumer Banking Acting Head of Krungsri Consumer Group	
					2014 - 2015	Executive Committee member	
					2013 - 2015	Director Acting Head of Krungsri Auto Group President Risk Management Committee member Advisor to the Compliance Review Committee	
					2013 - 2014	Acting Head of E-Business	
					2013	Deputy Chairman of the Executive Committee Advisor to the Credit Committee	

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



Name-Surname Present Position	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
					Non-Listed Companies		
					2018 - present	Independent Director	Lao Telecommunication Company Limited
					2014 - present	Member of the Advisory Board	Sasin Graduate Institute of Business Administration of Chulalongkorn University
					2011 - present	Emeritus Board	University of Maryland, Clack School of Engineering
					2015 - 2017	Director	I.T. Applications and Service Company Limited
					2015 - 2017	Director	Touch TV company Limited
					2015 - 2017	Director	Intouch Media Company Limited
					2015 - 2017	Chairman	HIGH Shopping Company Limited

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



Name-Surname Present Position	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
<b>14. Mr. Pracha Chumnakikitsol</b> • First Executive Vice President • Head of Special Asset Management Group <sup>n1</sup> • Member of the Executive Committee  <sup>n1</sup> Appointed effective on October 1, 2012	56	<ul style="list-style-type: none"> <li>• Master of Business Administration (Finance) University of Texas , U.S.A.</li> <li>• Bachelor of Engineering Chulalongkorn University</li> </ul> <b>Director Training Programs:</b> <ul style="list-style-type: none"> <li>• Director Certification Program Update (DCPU 5/2015)</li> <li>• Thai Institute of Directors Association (IOD)</li> <li>• Corporate Governance for Capital Market Intermediaries (CGI 7/2015 )</li> <li>• Thai Institute of Directors Association (IOD)</li> <li>• TLCA Executive Development Program (EDP 8/2011)</li> <li>• Thai Listed Companies Associations</li> <li>• Senior Executive Program (SEP 22/2008)</li> <li>• Sasin Graduate Institute of Business</li> <li>• Administration of Chulalongkorn University</li> <li>• Overview of Current Macro Economic Condition</li> <li>• Prudential Regulation-Impact to Thai Corporation (2007)</li> <li>• The Thai Banker's Association</li> <li>• Blue Ocean Strategy (2007)</li> <li>• Business Development Center</li> <li>• EVA Managing for Value Creation (2006)</li> <li>• Sasin Graduate Institute of Business</li> <li>• Administration of Chulalongkorn University</li> <li>• Director Certification Program (DCP 75/2006)</li> <li>• Thai Institute of Directors Association (IOD)</li> <li>• Risk Management (2005)</li> <li>• The Thai Institute of Banking and Finance Association</li> </ul>	None	None	<b>Kiatnakin Phatra Financial Group</b>		
					2012 - present	First Executive Vice President (Head of Special Asset Management Group)	Kiatnakin Bank Public Company Limited
					2011 - present	Member of the Executive Committee	
					2013 - 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
					<b>Other Listed Companies</b>		
					None		
					<b>Non-Listed Companies</b>		
					None		

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





Name-Surname Present Position	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
<b>15. Dr. Anuchit Anuchitanukul</b> • First Executive Vice President • Head of Process and Product Improvement and Alternative Channel Group <sup>/1</sup> • Member of the Executive Committee	47	• 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 <sup>st</sup> Class Honors) Chulalongkorn University  <b>Director Training Programs:</b> • 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-All 2012) Office Of Insurance Commission (OIC) • 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 • Directors Certification Program (DCP 93/2007) Thai Institute of Directors Association (IOD)	None	None	<b>Kiatnakin Phatra Financial Group</b>		
					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)	
					<b>Other Listed Companies</b>		
					Apr 2018 - present	Director	Bangchak Corporation Public Company Limited
					2014 - present	Director	Aksorn Education Public Company Limited
					2010 - 2013	First Executive Vice President	Krungthai Bank Public Company Limited
					2010 - 2013	Director	Krungthai AXA Life Insurance Public Company Limited
					2009 - 2013	Director	Krungthai Panich Insurance Public Company Limited
					<b>Non-Listed Companies</b>		
					Nov 2018 - present	Directors in the Revenue Department drive the committee into digital revenue.	The Revenue Department
					Oct 2018 - present	A member of the Big Data Driven Board	Ministry of Finance
					Jul 2018 - present	Expert Board Member	Committee For The Protection Of Credit Information
					May 2018 - present	Director	The Stock Exchange of Thailand
					2017 - present	Expert Board Member of Private Investments in State Undertakings Policy Committee	State Enterprise Policy Office

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



Name-Surname Present Position	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
					2017 - present	Advisory Board for Digital Identification and Verification Development	Ministry of Digital Economy and Society
					2016 - present	Member of the National e-Payment Committee	Prime Minister's Office
					2009 - 2013	Director	National ITMX Company Limited

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



Name-Surname Present Position	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 Tsanthaiwo  • First Executive Vice President • Head of Priority Banking Group <sup>/1</sup>  <sup>/1</sup> Appointed effective on June 1, 2014	54	<ul style="list-style-type: none"><li>• Master of Science in Computer Information System (MSCIS) New Hampshire College, U.S.A.</li><li>• Master of Business Administration Sasin Graduate Institute of Business Administration of Chulalongkorn University</li><li>• Bachelor of Political Science Chulalongkorn University</li></ul> <b>Director Training Programs:</b> <ul style="list-style-type: none"><li>• Family Business Governance (FBG 9/2017) Thai Institute of Directors Association (IOD)</li><li>• IOD Special Event 6/2016 : Family Business Club Dinner : The Professional Management Succession of Family Business</li><li>• Thai Institute of Directors Association (IOD) Corporate Governance for Capital Market Intermediaries (CGI 8/2015)</li><li>• Thai Institute of Directors Association (IOD) Corporate Governance for Executives (CGE 3/2015)</li><li>• Thai Institute of Directors Association (IOD) Director Accreditation Program (DAP 37/2005)</li><li>• Thai Institute of Directors Association (IOD)</li></ul>	None	None	Kiatnakin Phatra Financial Group		
					2014 - present	First Executive Vice President (Head of Priority Banking Group)	Kiatnakin Bank Public Company Limited
					2012 - present	Managing Director (Head of Private Client Group)	Phatra Securities Public Company Limited
					2017 - present	Director	Phatra Asset Management Company 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 is included share numbers of spouse and minor children



Name-Surname Present Position	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
<b>17. Mr. Chatchai Dusadenoad</b> • First Executive Vice President • Head of Information Technology Group <sup>/1</sup>  <sup>/1</sup> Appointed effective on October 1, 2015	51	• Master of Science , Computer Science San Jose State University, U.S.A. • Bachelor of Engineering (Computer Engineering) Chulalongkorn University  <b>Director Training Programs:</b> • Enhance Efficiency and Growth through Process Innovation (2018) The Securities Exchange of Thailand (SET) • Bangkok Fin Tech Fair 2018 : SME and Consumer Financial Solutions Bank of Thailand (BOT) • IT Project Management (2014) CIMB Thai Bank Public Company Limited	None	None	<b>Kiatnakin Phatra Financial Group</b>		
					2015 - present	First Executive Vice President (Head of Information Technology Group)	Kiatnakin Bank Public Company Limited
					<b>Other Listed Companies</b>		
					2011 - 2015	Senior Vice President	CIMB Thai Bank Public Company Limited
					<b>Non-Listed Companies</b>		
					2015 - Dec 2018	Director	Core Company Limited
					2015 - Dec 2018	Director	Iconic Men Company Limited

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



Name-Surname Present Position	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years					
					Year	Position	Company Name			
18. Mr. Chavalit Chindavanig <ul style="list-style-type: none"><li>• First Executive Vice President</li><li>• Head of Finance and Budgeting Group <sup>/1</sup></li><li>• Member of the Risk Management Committee</li></ul> <sup>/1</sup> Appointed effective on July 23, 2007  Remarks : Retired effective on January 1, 2019	55	<ul style="list-style-type: none"><li>• Master of Business Administration Eastern Michigan University, U.S.A.</li><li>• Bachelor of Engineering (Mechanical Engineering) Chulalongkorn University</li></ul> <b>Director Training Programs:</b> <ul style="list-style-type: none"><li>• Strategic Financial Leadership Program (SFLP 2017)</li><li>Thai Listed Companies Association (TCLA)</li><li>• Director Certification Program Update (DCPU 5/2015)</li><li>Thai Institute of Directors Association (IOD)</li><li>• Corporate Governance for Capital Market Intermediaries (CGI 4/2015)</li><li>Thai Institute of Directors Association (IOD)</li><li>• Monitoring the System of Internal Control and Risk Management (MIR 12/2012)</li><li>Thai Institute of Directors Association (IOD)</li><li>• Monitoring the Quality of Financial Reporting (MFR 15/2012)</li><li>Thai Institute of Directors Association (IOD)</li><li>• Monitoring the Internal Audit Function (MIA 11/2011)</li><li>Thai Institute of Directors Association (IOD)</li><li>• Monitoring Fraud Risk Management (MFM 6/2011)</li><li>Thai Institute of Directors Association (IOD)</li><li>• Audit Committee Program (ACP 37/2011)</li><li>Thai Institute of Directors Association (IOD)</li><li>• TLCA Executive Development Program (EDP 2/2008)</li><li>Thai Listed Companies Association</li><li>• Directors Certification Program (DCP 76/2006)</li><li>Thai Institute of Directors Association (IOD)</li><li>• Director Accreditation Program (DAP 21/2004)</li><li>Thai Institute of Directors Association (IOD)</li></ul>	None	375,000 (0.04)	Kiatnakin Phatra Financial Group					
					2012 - Dec 2018	First Executive Vice President	Kiatnakin Bank Public Company Limited			
					2007 - Dec 2018	Head of Finance and Budgeting				
					2007 - Dec 2018	Member of the Risk Management Committee				
					2007 - 2012	Member of the Executive Committee				
					2011 - 2012	Head of Strategy and Organization Development				
					2012 - present	Director		Phatra Capital Public Company Limited		
					May 2018 - present	Member of the Capital Market Audit Committee				
					2016 - present	Member of the Audit Committee	Phatra Securities Public Company Limited			
					2012 - present	Director				
					2011 - 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 is included share numbers of spouse and minor children



Name-Surname Present Position	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
19. Mr. Trairak Tengthirak • First Executive Vice President • Head of Corporate Banking Group <sup>1)</sup> • Member of the Risk Management Committee  <sup>1)</sup> Appointed effective on October 1, 2018	50	<ul style="list-style-type: none"><li>• Master of Business Administration (Finance) Seattle University, U.S.A.</li><li>• Bachelor of Business Administration (Marketing) Chulalongkorn University</li></ul> <b>Director Training Programs:</b> <ul style="list-style-type: none"><li>• Analysis and valuation of the Company's shares in leasing and hire purchase and construction business (2017)</li><li>• Association of Thai Securities Companies</li><li>• The impact of accounting changes and the new auditor's report (2017)</li><li>• Association of Thai Securities Companies</li><li>• Guideline using of the quality Due Diligence (2016) Association of Thai Securities Companies</li><li>• REIT / IFF: Criteria and Taxes Related (2016) Association of Thai Securities Companies</li><li>• Executive Program in Energy Science (8/2016) PTT Public Company Limited</li><li>• Internal control system for IPO companies (2015) Association of Thai Securities Companies</li><li>• Update and Impact : New Accounting Standard 2015 Association of Thai Securities Companies</li><li>• Corporate Governance for Capital Market Intermediaries (CGI 7/2015) Thai Institute of Directors Association (IOD)</li><li>• Financial Advisor Course: Securities Listing (2015) Association of Thai Securities Companies</li><li>• Financial Advisor Course: Due Diligence Guideline for Financial Advisors (2015) Association of Thai Securities Companies</li><li>• Financial Advisor Course: Issuance and Offering of Securities - Bond (2015) Association of Thai Securities Companies</li><li>• Financial Advisor Course: Acquisition of Securities for business Take – Overs (2015) Association of Thai Securities Companies</li></ul>	None	None	Kiattakin Phatra Financial Group		
					Oct 2018 - Present	First Executive Vice President (Head of Corporate Banking Group)	Kiattakin Bank Public Company Limited
						Member of the Risk Management Committee	
					2014 - present	Director	Phatra Capital Public Company Limited
					2014 - present	Director	Phatra Securities Public Company Limited
					2010 - present	Managing Director (Head of Investment Banking and Capital Markets)	
					Other Listed Companies		
					2013 - present	Independent Director Member of the Audit Committee	Siracha Construction Public Company Limited
					Non-Listed Companies		
					2017 - present	Independent Director Member of the Audit Committee	RPIC Pte.Ltd.
	2017 - present	Independent Director Member of the Audit Committee	Veranda Resort Public Company Limited				
	2008 - present	Director	Crystal Football Club Company Limited				

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



Name-Surname Present Position	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"> <li>• TLCA Leadership Development Program (LDP 2/2015)</li> <li>• Thai Listed Companies Association</li> <li>• Advance Audit Committee Program (AACP 15/2014)</li> <li>• Thai Institute of Directors Association (IOD)</li> <li>• Capital Market Academy Leadership Program (CMA 11/2010)</li> <li>• Capital Market Academy</li> </ul>					

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





Name-Surname Present Position	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
20. Mr. Therapong Vachirapong • First Executive Vice President • Head of Corporate Strategy <sup>/1</sup>	53	• Master of Business Administration (Finance) Western International University at Arizona, U.S.A. • Bachelor in Accounting Thammasat University  <b>Director Training Programs:</b> • Bangkok Fin Tech Fair 2018 : SME and Consumer Financial Solutions Bank of Thailand (BOT)	None	580 (0.00)	Kiatnakin Phatra Financial Group		
					2016 - present	First Executive Vice President (Head of Corporate Strategy)	Kiatnakin Bank Public Company Limited
					Feb 2018 - present	Head of Research Group	Phatra Securities Public Company Limited
					2009 - present	Managing Director	
					2009 - present	Head of Equity Research Department	
					Other Listed Companies		
None							
Non-Listed Companies							
None							

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



Name-Surname Present Position	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 <sup>/1</sup> • Acting Head of Finance and Budgeting Group <sup>/2</sup> • Member of the Risk Management Committee	48	<ul style="list-style-type: none"> <li>• Master of Science (Finance) University of Colorado, U.S.A.</li> <li>• Bachelor of Business Administration (Industrial Management) Thammasat University</li> </ul> <b>Director Training Programs:</b> <ul style="list-style-type: none"> <li>• Bond Trader's Refresher Course (2018) The Thai Bond Market Association</li> <li>• CFO Focus (2018) Federation of Accounting Professions Under The Royal Patronage of His Majesty The King</li> <li>• Bangkok Fin Tech Fair 2018 : SME and Consumer Financial Solutions Bank of Thailand (BOT)</li> </ul>	None	None	Kiatnakin Phatra Financial Group		Kiatnakin Bank Public Company Limited
					Jan 2019 - present	Acting Head of Finance and Budgeting Group	
						Member of the Risk Management Committee	
					2013 - present	First Executive Vice President (Head of Financial Markets Group)	
					Other Listed Companies		
					None		
					Non-Listed Companies		
					2011 - 2013	Head of Markets	Royal Bank of Scotland, Bangkok Branch

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

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

<sup>/2</sup> Appointed effective on January 1, 2019



Name-Surname Present Position	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 <sup>1</sup>	56	<ul style="list-style-type: none"><li>• Ph.D. (Engineering Management) Missouri University of Science and Technology, U.S.A.</li><li>• Operations Research Wichita State University, KS, U.S.A.</li><li>• Master of Science (Engineering Management) University of Louisiana at Lafayette, U.S.A.</li><li>• Bachelor of Engineering Chulalongkorn University</li></ul> <b>Director Training Programs:</b> <ul style="list-style-type: none"><li>• 3<sup>rd</sup> Edition Practical Guide to Excellence in Operation Risk (2018)</li><li>• Marcus Evans, Singapore</li><li>• Risk Management Committee Program (RMC 1/2013)</li><li>• Thai Institute of Directors Association (IOD)</li></ul>	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
<sup>1</sup> Appointed effective on October 1, 2012					Other Listed Companies		
					None		
					Non-Listed Companies		
					None		

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



Name-Surname Present Position	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
<b>23. Mr. Pensalit Trakankitvichit</b> • First Executive Vice President • Head of Credit Analysis Group <sup>†</sup> • Member of Risk Management Committee  <sup>†</sup> Appointed effective on November 1, 2014	54	• Master of Business Administration Woodbury University, U.S.A. • Bachelor of Economics California State University, U.S.A.  <b>Director Training Programs:</b> • 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 Risk Management Committee	Kiatnakin Bank Public Company Limited
					Other Listed Companies		
					None		
					Non-Listed Companies		
					2009 - 2012	President	Southeast Capital Company Limited

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



Name-Surname Present Position	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
24. Mrs. Penroong Suwannakudt • First Executive Vice President • Head of Human Resources Management Group <sup>1)</sup>	55	<ul style="list-style-type: none"> <li>Human Resource Management</li> <li>Sasin Graduate Institute of Business</li> <li>Administration of Chulalongkorn University</li> <li>Bachelor of Social Work Program</li> <li>Thammasat University</li> </ul> <p><b>Director Training Programs:</b></p> <ul style="list-style-type: none"> <li>Applying OKRS into Your Company Mission and Value (2018)</li> <li>Personal Management Association of Thailand</li> <li>7 Habits of Highly Effective People (2558)</li> <li>Allianz Ayudhya Public Company Limited</li> <li>Allianz Executive Presentation (2557)</li> <li>Allianz Ayudhya Public Company</li> <li>Quiet Leadership (2555)</li> <li>Neuro Leadership Institute</li> <li>David Ulrich : HR Strategy Business Alignment and Creatively Organization Capabilities (2554)</li> <li>Octagon</li> <li>Director Certification Program (DCP 132/2010)</li> <li>Thai Institute of Directors Association (IOD)</li> <li>Role of the Compensation Committee (RCC 11/2010)</li> <li>Thai Institute of Directors Association (IOD)</li> </ul>	None	None	Kiatnakin Phatra Financial Group		
					May 2018 - Present	First Executive Vice President (Head of Human Resources Management Group)	Kiatnakin Bank Public Company Limited
					Other Listed Companies		
					2013 - Apr 2018	First Executive Vice President Chief Human Resources Officer	Allianz Ayudhya Public Company Limited
					2008 - 2013	Executive Vice President Human Resource Division	Thoresen Thai Agencies Public Company Limited
					Non-Listed Companies		
					None		

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



Name-Surname Present Position	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
<b>25. Mr. Pattarapong Raktabutr</b> • First Executive Vice President • Head of Alternative Distribution Channel Group <sup>/1</sup>  <sup>/1</sup> Appointed effective on December 1, 2015	51	• Master of Business Administration University of Louisville, U.S.A. • Bachelor of Political Science Public Administrations Thammasat University  <b>Director Training Programs:</b> • Leading Across Boundaries (2009) University of Oxford • Sales School (1995) Digital Equipment Corporation • Customer Quality Relation & Service (1994) Telecom Asia Corporation Public Company Limited	None	None	<b>Kiatnakin Phatra Financial Group</b>		
					2015 - present	First Executive Vice President (Head of Alternative Distribution Channel Group)	Kiatnakin Bank Public Company Limited
					<b>Other Listed Companies</b>		
					2004 - 2015	Executive Vice President (Head of Client Acquisition)	Standard Chartered Bank (Thai) Public Company Limited
					<b>Non-Listed Companies</b>		
					None		

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



Name-Surname Present Position	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
26. Mr. Manit Wannavanit • First Executive Vice President • Head of Sales Distribution Group <sup>/1</sup>  <sup>/1</sup> Appointed effective on September 4, 2012	52	• Master of Public Administration National Institute of Development Administration • Bachelor of Economics Ramkhamhaeng University  <b>Director Training Programs:</b> • Thailand National Defence College (NDC: 57/2014) Thailand National Defence College	None	115,000 (0.01)	Kiatnakin Phatra Financial Group		
					2012 - present	First Executive Vice President (Head of Sales Distribution Group)	Kiatnakin Bank Public Company Limited
					Other Listed Companies		
					Apr - Aug 2012	Executive Vice President, Provincial Branch Business Division, Distribution Group	Bank of Ayudhya Public Company Limited
					2010 - 2012	Senior Vice President	
					Non-Listed Companies		
					None		

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





Name-Surname Present Position	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
27. Mr. Worrakrit Jaruwongpak • First Executive Vice President • Head of Operations Group <sup>†1</sup>  <sup>†1</sup> Appointed effective on January 16, 2014	57	<ul style="list-style-type: none"> <li>• Doctor of Business Administration Western University</li> <li>• Master of Business Administration (Management) National Institute of Development Administration</li> <li>• Bachelor of Economics Chiangmai University</li> </ul> <b>Director Training Programs:</b> <ul style="list-style-type: none"> <li>• Bangkok Fin Tech Fair 2018 : SME and Consumer Financial Solutions Bank of Thailand (BOT)</li> <li>• Director Certification Program (DCP 179/2013) Thai Institute of Directors Association (IOD)</li> <li>• Financial Institutions Governance Program (FGP 5/2012) Thai Institute of Directors Association (IOD)</li> </ul>	None	None	Kiatnakin Phatra Financial Group		
					2014 - present	First Executive Vice President (Head of Operations Group)	Kiatnakin Bank Public Company Limited
					2015 - present	Chairman of the Board of Directors	KKP Tower Company Limited
					<b>Other Listed Companies</b>		
					2010 - 2014	Executive Vice President	Bank of Ayudhya Public Company Limited
					<b>Non-Listed Companies</b>		
					2017 - present	Director	Playing Cards Factory, Excise Department
					May - Jun 2016	Director	Erawan Law Office Company Limited
					2009 - 2013	Director	National ITMX Company Limited

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



Name-Surname Present Position	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
<b>28. Mr. Sammit Sakulwira</b> • First Executive Vice President • Head of Commercial Lending Group <sup>/1</sup>  <sup>/1</sup> Appointed effective on May 1, 2017	51	• Master of Business Administration (Finance) University of Wisconsin - Whitewater, U.S.A. • Bachelor of Science (Packaging and Material Technology) Kasetsart University  <b>Director Training Programs:</b> • Director Certification Program (DCP 261/2018) Thai Institute of Directors Association (IOD) • Governance Risk Management and Compliance (CRG 2009) Internal class Kasikorn Bank Public Company Limited • The Seven Habits of Highly Effective People (2004) Internal class Kasikorn Bank Public Company Limited • Financial Executive Program (FINEX 10 / 2000) Thai Institute of Banking and Finance Association	None	None	<b>Kiatnakin Phatra Financial Group</b>		
					2017 - present	First Executive Vice President (Head of Commercial Lending Group)	Kiatnakin Bank Public Company Limited
					<b>Other Listed Companies</b>		
					2010 - 2017	First Senior Vice President (Corporate Business Division)	Kasikorn Bank Public Company Limited
					<b>Non-Listed Companies</b>		
					None		

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



Name-Surname Present Position	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
29. Mr. Norachet Sangruji <ul style="list-style-type: none"><li>• First Executive Vice President</li><li>• Advisor to Chief Executive Officer <sup>†1</sup></li><li>• Member of the Risk Management Committee</li></ul> <sup>†1</sup> Appointed effective on Oct 1, 2018	56	<ul style="list-style-type: none"><li>• Master of Business Administration (Finance &amp; Marketing) Syracuse University, U.S.A.</li><li>• Master of Science in Electrical Engineering (Telecommunication) Syracuse University, U.S.A.</li><li>• Bachelor of Engineering (Electrical Engineering) Chulalongkorn University</li></ul> <b>Director Training Programs:</b> <ul style="list-style-type: none"><li>• Bangkok Fin Tech Fair 2018 : SME and Consumer Financial Solutions Bank of Thailand (BOT)</li><li>• Director Certification Program (DCP 217/2016) Thai Institute of Directors Association (IOD)</li><li>• Corporate Governance for Capital Market Intermediaries (CGI 7/2015) Thai Institute of Directors Association (IOD)</li><li>• Director Accreditation (DAP 36/2005) Thai Institute of Directors Association (IOD)</li></ul>	None	1,710,000 (0.20)	Kiatnakin Phatra Financial Group		
					Oct 2018 - present	First Executive Vice President Advisor to Chief Executive Officer	Kiatnakin Bank Public Company Limited
					2015 - Sep 2018	First Executive Vice President (Head of Corporate Banking Group)	
					2015 - present	Member of the Risk Management Committee	
					Jun 2018 - present	Member of the Capital Market Audit Committee	Phatra Capital Public Company Limited
					2013 - present	Director	
					2010 - 2012	Executive Director	
					2017 - present	Member of the Audit Committee	Phatra Securities Public Company Limited
					2004 - present	Director	
					2007 - 2012	Executive Director	
Other Listed Companies							
None							
Non-Listed Companies							
					May 2018 - present	Director	The Stock Exchange of Thailand
					Feb 2018 - present	Director	ASCO Business Promotion Company Limited
					2017 - present	Director	Noppakit Company Limited
					2005 - present	Adviser to the Executive Director	Mitr Technical Consultant
					2000 - present	Director	Pantavanij Company Limited
					Apr 2018 - present	Head of Advisory for Investment Banking Club	Association of Thai Securities Companies
					2017 - present	Director	
					2011 - present	Mutual Fund working group	

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



Name-Surname Present Position	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
					2011 - present	Derivatives and Warrants working group	Association of Thai Securities Companies
					2009 - present	Sub-committee of Drafting on Announcements Regarding Issuance and Offering of Securities - Equity	
					2009 - present	Sub-committee of Self-Regulatory Organization	
					2009 - Mar 2018	Head of Investment Banking Club	
					1990 - present	Director	
							Kasetin Company Limited

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



Name-Surname Present Position	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
<b>30. Mr. Krittiya Veeraburus</b> • Member of the Executive Committee <sup>/1</sup> • Member of the Risk Management Committee	49	• Master of Business Administration (Finance & Investment) Golden Gate University, U.S.A. • Bachelor of Business Administration (Management) Chulalongkorn University  <b>Director Training Programs:</b> • Corporate Governance for Capital Market Intermediaries (CGI 14/2016) Thai Institute of Directors Association (IOD) • Capital Market Leadership Program (CMA 18/2014) Capital Market Academy • Director Accreditation Program (DAP 73/2008) Thai Institute of Directors Association (IOD)	None	172 (0.00)	<b>Kiatnakin Phatra Financial Group</b>		
					2012 - present	Member of the Executive Committee Member of the Risk Management Committee	Kiatnakin Bank Public Company Limited
					2013 - 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)	
					2016 - present	Managing Director (Head of Investment and Trading Group)	Phatra Securities Public Company Limited
					2013 - present	Director	
					2013 - 2016	President	
					2012 - 2013	Managing Director (Head of Investment and Trading Group)	
					2013 - 2017	Director	Phatra Asset Management Company Limited

<sup>/1</sup> Appointed effective on October 15, 2012

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



Name-Surname Present Position	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 is included share numbers of spouse and minor children



Name-Surname Present Position	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
31. Mrs. Patchanee Limapichat • Member of the Executive Committee <sup>/1</sup>	56	• Master of Business Administration California State University at Sacramento, U.S.A. • Bachelor in Political Science Chulalongkorn University  <b>Director Training Programs:</b> • Corporate Governance for Capital Market Intermediaries (CGI 7/2015) Thai Institute of Directors Association (IOD) • Director Accreditation Program (DAP 36/2005) Thai Institute of Directors Association (IOD)	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 is included share numbers of spouse and minor children





Name-Surname Present Position	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
32. Ms. Nilawan Treekitjamroon • Senior Vice President • Department Head of Accounting <sup>/1</sup>	45	<ul style="list-style-type: none"> <li>• Master of Arts (Applied Finance) Kasetsart University</li> <li>• Bachelor of Accountancy Bangkok University</li> <li>• Certified Public Accountant registration No. 8140</li> </ul>	None	None	Kiatnakin Phatra Financial Group		
					2015 - present	Senior Vice President Department Head of Accounting	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

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

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



Name-Surname Present Position	Age	Education/ Director Training Programs	Family Relationship with the Executive	KKP Shareholding*	Experience in the Past 5 Years		
					Year	Position	Company Name
33. Ms. Pornthip Chuprakhun • Corporate Secretary <sup>1/</sup> • Senior Vice President • Department Head of Corporate Secretariat	50	<ul style="list-style-type: none"><li>• Master of Business Administration Assumption University</li><li>• Bachelor of Arts (Political Science) Kasetsart University</li></ul> <b>Training Programs:</b> <ul style="list-style-type: none"><li>• Workshop for Professional Development in Forum "Beyond Regulation : The Evolution of the Company Secretary Role" (2018)</li><li>• Thai Listed Companies Association</li><li>• ASEAN Corporate Secretaries Professional Exchange Programme (PEP 2016)</li><li>• The Hong Kong Institute of Chartered Secretaries</li><li>• Thai Intelligent Investors Program (TIIP - 13/2559 Thai Investor Association</li><li>• Compliance Officer (7/2014)</li><li>• Faculty of Law, Chulalongkorn University</li><li>• Fundamental Practice for Corporate Secretary (FPCS 23/2011)</li><li>• Thai Listed Companies Association</li><li>• Board Reporting Program (BRP 1/2009)</li><li>• Thai Institute of Directors Association (IOD)</li><li>• Company Secretary Program (CSP 17/ 2006)</li><li>• Thai Institute of Directors Association (IOD)</li><li>• Effective Minute Taking (EMT 2/2006)</li><li>• Thai Institute of Directors Association (IOD)</li><li>• Corporate Secretary Development Program (11/2005)</li><li>• Faculty of Commerce and Accountancy, Chulalongkorn University</li></ul>	None	59,001 (0.01)	Kiatnakin Phatra Financial Group		
					2011 - present	Senior Vice President, Department Head of Corporate Secretariat	Kiatnakin Bank Public Company Limited
					2010 - present	Corporate Secretary	
					Other Listed Companies		
					None		
					Non-Listed Companies		
					None		

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

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

152

[illegible]



Name*	Kiatnakin Bank Public Company Limited	Subsidiaries & Associated Companies										Related Companies										Position																				
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36					
32	Ms. Nilwan	Treelkijnnroon	Senior Vice President, Department Head of Accounting																																							
33	Ms. Kessara	Liengchayelz	Executive Vice President, Department Head of Sales																																							
34	Mr. Jakrawan	Jakrawarnwibul	Executive Vice President, Department Head of Trading																																							
35	Mr. Chawalit	Lawang	Executive Vice President, Deputy Head of Operations Group																																							
36	Mr. Chairanong	Rojanasinlu	Executive Vice President, Department Head of Corporate Lending																																							
37	Dr. Narong	Prednanan	Executive Vice President, Head of Office of Internal Audit																																							
38	Ms. Pichaya	Sdangkur	Executive Vice President, Department Head of Commercial Credit Analysis																																							
39	Ms. Petcharat	Keeratiyoobon	Executive Vice President, Duputy Head of Commercial Lending Group																																							
40	Mr. Romsai	Tandakoseya	Executive Vice President, Department Head of Commercial and Financial Institutions Credit Risk Management																																							
41	Mr. Wanahan	Kanjanasoon	Executive Vice President, Department Head of Marketing and Strategy																																							
42	Mr. Somkiat	Jomprachaya	Executive Vice President, Department Head of Retail Credit Risk Management																																							
43	Ms. Suwannee	Wattanavekin	Executive Vice President, Department Head of Foreclosed Property Management																																							
44	Mr. Hirunroj	Loutheeravong	Executive Vice President, Deputy Head of Sales and Distribution Group																																							
45	Mr. Anuwat	Ruamsuke	Executive Vice President, Department Head of Debt Capital Market																																							
46	Mr. Aphichart	Chongsangjanpradab	Executive Vice President, Head of Office of Compliance																																							
47	Mr. Patisakorn	Boonyaprasat	Senior Vice President, Department Head of Channels Development Acting Department Head of Services and Support System Development																																							
48	Mr. Phayak	Subsomboon	Senior Vice President, Deputy Head of Sales and Distribution Group Acting Regional Director-Hire Purchase Business BKK. Acting Regional Director-Hire Purchase Business Province 3 Acting Regional Director-Hire Purchase Business Province 4 Acting Department Head of Auto Inventory Finance																																							
49	Mr. Thaworn	Chuengoon	Senior Vice President, Regional Director-Commercial Bank Business Province 2 Acting Regional Director-Commercial Bank Business Province 1																																							
50	Ms. Sankom	Suparp	Senior Vice President, Deputy Head of Priority Banking Group																																							

Remark : \* Including persons with management authority according to the definition to the Bank of Thailand

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

2. Related company means a juristic person of a person who may have conflict of interest as defined by the notification of the SEC.

<sup>1</sup> Mr. Chawatt Chindavong was retired effective on January 1, 2019.

<sup>2</sup> Mr. Preecha Techarungchakul acts as a Head of Finance and Budgeting Group effective on January 1, 2019.

- |   |   |   |   |  |   |
|---|---|---|---|--|---|
| 1. Pattra Capital Public Company Limited          | 7. Kasetsin Company Limited                 | 13. The Palm Cha Am Company Limited             | 19. Bangkok Corporation Public Company Limited    | 25. Veranda Resort Public Company Limited                  | 31. Aksorn Education Public Company Limited         |
| 2. Pattra Securities Public Company Limited       | 8. K S P Square Company Limited             | 14. Don Muang Tollway Public Company Limited    | 20. BOT Lease (Thailand) Company Limited          | 26. Siracha Construction Public Company Limited            | 32. Alpha Absolute Company Limited                  |
| 3. Pattra Asset Management Company Limited        | 9. Crystal Football Club Company Limited    | 15. Ocean life Insurance Public Company Limited | 21. Electricity Generating Public Company Limited | 27. Squirrel (Thailand) Company Limited                    | 33. RPIC Pte. Ltd.                                  |
| 4. Pattra Asset Management (Cayman) Limited       | 10. GMM Grammy Public Company Limited       | 16. Techcare International Company Limited      | 22. Pantavani Company Limited                     | 28. Advanced Information Technology Public Company Limited | 34. Ruamphon Pattra International Corp.             |
| 5. Pattra Equity Market Neutral Asia Pacific Fund | 11. Central Pattana Public Company Limited  | 17. Noppakit Company Limited                    | 23. Ruamwanthana Company Limited                  | 29. ASCO Business Promotion Company Limited                | 35. Lao Telecommunication Company Limited (Oversea) |
| 6. KKP Tower Company Limited                      | 12. The Erawan Group Public Company Limited | 18. Eastern Sugar Company Limited               | 24. Buranburi Security Guard Company Limited      | 30. Eduvision Company Limited                              | 36. Neo - Sac Company Limited                       |



## Directors of Subsidiaries

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

Remark:

1. X = Chairman / = Director // = Executive Director \* = Authorized Director
2. Subsidiary means a subsidiary with a significant revenue of more than 10% of the consolidated total income of the financial year.
3. Information as of February 21, 2019



## Personnel

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

Year 2018 was the third year of the Group's three-year business plan (2016 - 2018) which emphasized on the co-operation among all business units in the Group. Our team continued to develop the collaboration and drive the synergies for the Group's success. They have worked seamlessly to improve the new core banking system in order to elevate and develop the service quality provided to clients, support good product development and service improvement to truly respond to clients' need as well as create more competitive advantage and further stabilize the business sustainable operation. As of December 31, 2018, the Bank and its subsidiary companies employed 4,784 personnel in total, increased by 287 persons or 6.38% from the end of 2017. Details are as follows:

The Bank and Subsidiaries	Number of Personnel	
	2017	2019
Kiatnakin Bank Public Company Limited	4,017	4,298
Phatra Capital Public Company Limited	30	10
Phatra Securities Public Company Limited	384	401
Phatra Asset Management Company Limited	54	66
KKP Tower Company Limited	12	9
Phatra Asset Management (Cayman) Limited	-	-
Phatra Equity Market Neutral Asia Pacific Fund	-	-
<b>Total</b>	<b>4,497</b>	<b>4,784</b>

### 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, happy workplace and good 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. Furthermore, the Bank has placed importance on the development of selection tools to assess candidates' qualifications, skills, potential, competency-based as well as ensure that hiring managers are well-trained to leverage their interviewing and selection skills to identify the quality workforce, strengthen attitude, ethics and creativity 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/ vacant job positions. Should there be no best candidate within the organization, hiring from outside will be considered. The promotion is conducted twice a year and criteria has been established, communicated and comprehended by all employees. Moreover, the Bank supports and provides opportunities for employees to self-select their development plans via the Bank's learning process in order to prepare for the change of duties in the future.

### (3) Performance Assessment

The Bank annually appraises its employees' performance, with emphasis on the assessment of their work performance and competency i.e. skill development and capability to achieve assigned goals. 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. The Bank continues 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 or good role models for 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 Group companies 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 Group companies 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 on 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.

Employees' 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 accommodation allowance, shift allowance, weekend shift allowance, auto insurance allowance, etc. in accordance with the job title.

- 2) Indirect Monetary Compensation

To ensure that employees have good morale and work-life balance, the Bank provides several welfare and benefits, such as provident fund, social security fund, life, accident and total permanent disability insurance, variety of staff loans covering all necessities, retirement benefit, annual medical checkup, prolonged sick leave with pay, first aid room, etc.

#### *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; and
- (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 (1987) under the name "Kiatnakin Registered Provident Fund" and "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. In order to broaden choices for employees to better suit their needs and saving goals, the Bank has added two new investment policies for the provident fund and allows members to switch their investment policy by themselves 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, with an in-house specialized doctor.

##### *- Life, Accident and Total Permanent Disability Group Insurance*

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

##### *- Staff Loan*

Besides the current housing loan for employees to secure their living, the Bank offers more types of loans to better respond to their needs, for instance, multi-purpose loans comprising of personal loan, car loan and natural disaster loan.

#### *3) Non-monetary Compensation*

In addition to direct and indirect monetary compensation, the Bank provides other compensation to promote and develop employees' capability such as challenging job assignments, personal development through training programs and other systems, job transfer and assignment to work between the commercial banking business and capital market business, flexible work time, recreation activities and various activity clubs to promote a good workplace which creates happiness and fun as well as good relationship among employees within the Bank and the Group, etc.



## Human Resources 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 2018, 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. These include workshops, lectures and leadership development programs which aim for the exchange of experiences from practice and changes in behavior of managers as expected. The examples of the in-house trainings arranged for developing skills of employees and management are as follows:

- **Technic for New Leader:** the course for developing skills of persons who are newly promoted to take new role as managers;
- **Coaching for High Performance:** the course for coaching skill enhancement for leaders to be ready to perform their roles of team coaching;
- **Essential of Leadership:** the course for preparing high performers prior to be promoted to managerial level;
- **Negotiation Skill:** the course to add on the communication skill for negotiation in different circumstances which may occur in both daily live and work live; and
- **Course for new employees working at branches:** the course which focuses on the skills and knowledge necessary for new employees working at branches. All new employees who work at branches have to attend this course. When following up, it is found out that all new employees attending such course could perform their duties as the Bank has expected.

Moreover, the Bank invites knowledgeable and experienced facilitators to share their thoughts, knowledge and experiences with its employees and management through various forum, e.g. Leadership Forum, Tea Time Talk and Business Forum. The Bank encourages its staff to enhance knowledge and gain experience through domestic or oversea training to fulfill their tasks creatively and effectively, which shall eventually increase value to the Bank. In addition, the Bank has initiated more learning intervention through KKP Edge Project which 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. Furthermore, in 2018, the Group has launched the new learning system, called "TAXILA", to facilitate all types of learning anywhere and anytime via mobile phone and internet network. This new learning system is in consistent with the lifestyle of new generations in the organization and a channel to quickly exchange knowledge among learners. This new learning system has used as a tool for all employees to review their business knowledge and understand the important topics as required on regular basis, such as the Anti-money Laundering Policy, Anti-corruption Policy, Guidelines for Business Conduct Policy, etc.

### (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 database is also kept as online courses offered on TAXILA which can be used to initiate improvement and promote innovation within the departments.

### (3) Succession Plan

The Bank constantly follows the succession and talent pool management plan. During 2018, the Bank reviewed such plan to ensure that the defined talent successors were ready to continually support the Group's 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. Such 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 Town Hall to communicate from executives to middle-management, CEO message to all employees, including varieties of channels via 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 acknowledge policies and business direction as well as get complete and up-to-date information. 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 Policy and annually reviews it in order to maintain practical guidelines in the business operation and in order to improve the standard of the Group's corporate governance to be more comparable with international standards (latest review and amendment on November 13, 2018). The Bank's Corporate Governance Policy is 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 strongly believes that good corporate governance will enable the Bank and Group companies to have a proper management system with efficiency, transparency, accountability and fairness to all related parties and allow the Group 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 Policy is one of the prime missions of the Board of Directors, management and employees in order to benefit the Bank, Group, shareholders, clients, stakeholders, the community and the overall society. The Bank discloses its Corporate Governance Policy on its website ([www.kiatnakinphatra.com](http://www.kiatnakinphatra.com)) and widely communicates this policy to executives and employees via its intranet system (KK World) to ensure a better understanding and strict compliance of the policy.

The Compliance and Governance Committee of the Bank has a duty to ensure that the Bank and Group companies have corporate governance principles and guidelines for conducting business and oversee that relevant parties follow such principles and guidelines via the Office of Compliance.

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

During the Board of Directors' Meeting No. 12/2561 held on November 13, 2018, in which more than half - ten out of twelve - of directors attended, the Board of Directors contemplated the suitability of applying the eight principles and guidelines of the CG Code released by the SEC for the Bank's business context to ensure that the Bank and the Group have a long-term satisfactory business performance, sustainable value creation and 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 practices align with the eight principles of the 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 appoint



a designated independent director to participate in setting the agenda of the Board of Directors' meetings.

- Guideline 3.7.3: The company should appoint an external consultant to assist in setting guidelines and providing recommendations for a Board assessment at least once every three years. This information should be disclosed in the annual report.

In 2018, the Board of Directors reviewed and further amended its Corporate Governance Policy on the matters of Board composition, qualification of the Chairman of the Board and term of directorship. Such policy stipulates that at least half of the Board members must be independent directors or non-executive directors. The Chairman of the Board must be an independent director or non-executive director, unless approved otherwise by the Bank of Thailand. Independent directors can hold their positions for no more than nine consecutive years. For any independent director who has held the position for nine years and wants to be re-appointed as an independent director, such director must have been discharged from the position at least two years before the day the appointment request is submitted to the Bank of Thailand. In addition, for any independent director who has held the position for less than nine years, if he/she has been discharged from the position, such independent director may be re-appointed as an independent director. Yet, the term of directorship of such independent director must be all counted.

Any of the Bank's independent director who is qualified according to the Bank of Thailand's notification No. FPG. 13/2552 on Corporate Governance of Financial Institutions and in such position prior to the effective date of the Bank of Thailand's notification No. FPG 17/2561 on Corporate Governance of Financial Institutions (No. 2), if he/she has held the position for more than nine years, such director can still be in office until May 1, 2022.

## 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 139 listed companies ranked "5 TIA" with a full 100 score from the quality assessment of the Annual General Meeting of the Shareholders in 2018 by the Thai Investors Association, the SEC and the Thai Listed Company Association;
- Rated "Excellent" in CG scoring from the Corporate Governance Report of Thai Listed Companies in 2018 and received five logos from the Thai Institute of Directors Association;
- One of 79 listed companies selected by the SET to receive Thailand Sustainability Investment 2018 for four consecutive years due to efforts to develop good corporate governance, responsibilities to the environment and society and business management under corporate governance (Environment, 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 2018 for the fourth consecutive year due to outstanding sustainability performance in ESG aspects; and
- Recertification of membership to CAC.

In 2018, the Bank's implementations according to each section of the Corporate Governance Policy are as follows:

### 1. Rights of Shareholders

The Board of Directors has established the Bank's Corporate Governance Policy by taking into account the statutory rights of shareholders embracing 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 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, the right to receive sufficient and up-to-date information in a timely manner, etc. 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 its fiscal year. An extraordinary general meeting of shareholders may be called if there is any urgent proposal which requires shareholders' approval. In 2018, the AGM was held on April 24, 2018, which was not a commercial bank holiday, at the Grand Hyatt Erawan Bangkok Hotel, which offered convenience in transportation for shareholders. During the year, 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 welcome and 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 relevant to the shareholders' meeting, such as their legitimate rights in attending the AGM. Proxy forms were also provided to allow 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 conducted 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 no less than thirty days prior to the AGM date (on March 23, 2018 or thirty-two days prior to the AGM date) and assigned the Thailand Securities Depository Co., Ltd. (TSD), the registrar, to arrange delivery of the notice of AGM to shareholders by post no less than twenty-eight days prior to the AGM date (on March 23, 2018 or thirty-two days prior to the AGM date). The notice of AGM was published in both Thai and English daily 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 the 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, experiences, independency, 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 agendas 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 agendas. In order to fully reserve shareholders' rights, the Bank disclosed the criteria for submission of questions in advance on its website. Shareholders were allowed to submit questions regarding the meeting agendas via the Bank's website or registered post 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 2018 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 2 to December 30, 2017. The Bank had 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 since September 29, 2017. However, no agenda item was proposed for the 2018 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 the 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 2018 AGM, the Bank proposed two independent directors to shareholders for granting proxies. 1,118 shareholders, representing 166,267,644 shares, appointed the Bank's independent directors as their proxies.

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

The Bank has a policy encouraging the Chairpersons of the Board of Directors, Audit Committee and Nomination and Remuneration Committee, CEO, President, heads of business and supporting groups, senior executives and auditors to participate in all AGMs to provide additional information and answer questions for shareholders.





In 2018, all Chairpersons of the Board of Directors and committees under the supervision of the Board of Directors, CEO, President, heads of business, senior executives in charge of finance including auditors were present at the 2018 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, make inquiries and request relevant directors to clarify and provide complete information to shareholders.

1.8 Comprehensive minutes of the shareholders' meetings are recorded.

Comprehensive minutes of the 2018 AGM were recorded. It included names of directors and executives attending the AGM, the proportion of attending directors, voting and vote-counting procedures, key discussion issues, questions raised, clarifications, comments, resolution results and complete voting results (for approve/against/abstain and voided cards) of each agenda item.

The Bank disclosed in a timely manner the resolutions of the 2018 AGM (on April 24, 2018 which was the AGM date) 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 Bank respects and values the importance of equitable treatment of shareholders. The Bank treats shareholders equitably for participating in the

shareholders' meetings, receiving information and voting by one share for one vote. 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 Bank does not encourage any transaction entered into between the Bank and directors, executives, major shareholders and related persons. This is to avoid any potential conflict of interest among the Bank and those persons. However, in the course of doing business, it may be necessary for the Bank to enter into such transactions. This is to be done within the procedures and framework of regulations of such matters. In order for the Group 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 it 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, are reasonable and are 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 accounts with the securities company in the Group if not exempted by the Bank's rule. 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 executives 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, KKP Contact Center (Tel. 0-2165-5555) or other online channels, e.g. website and Facebook. Moreover, the Bank's employees can directly contact the Bank's Chairman of the Board of Directors, Chairperson of the Audit Committee, CEO, President, Chief Governance Officer or Head of the Office of Internal Audit to file complaints on such wrongdoing.

The Bank has set the whistleblower protection process and will not commit any unfair treatment on all employees, temporary staff or contract staff who report any suspected acts. The Bank realizes 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 has defined the process and procedures for complaints and roles and duties of responsible units in each step starting from receiving the complaint, identifying the problem, collecting information, verifying and analyzing the facts, reporting to relevant parties and recording information to filing. Such defined procedures and process are in line with the supervisory agencies' regulations. For employees' misconduct, the Bank will consider, investigate and take action according to the Bank's disciplinary regulation.

#### 3.3 Stakeholder Treatment Guidelines

The Board of Directors wants to ensure 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 Policy which can be summarized as follows:

##### *Role, Practice and Responsibilities of the Group 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 business 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 Group 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 implements market conduct without any practice which 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 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 client satisfaction surveys, 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 Group towards Employees*

All employees of the Group are valued resources and a key success factor in its business operations. 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 which can provide good services to clients.

The Group 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 rights of every employee by respecting the rights of each employee and individual and maintaining secrecy on personal information. The Group does not tolerate discrimination on the grounds of race, nationality, religion, gender, age, disability, sexual orientation and any other form of illegal discrimination.

The Group 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 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 various occasions.

In terms of safety and health, the Group has set up a working environment taking into account safety, health and environment suitable for employees to work while ensuring clients' convenience. Furthermore, the Group has organized fire drills and an office security system. The Group 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 for 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, main goals, corporate culture and strategies so that they have the same target in creating corporate value. The Group has set up the



Guidelines for Business Conduct Policy 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 Bank and Group companies and is to be reviewed periodically.

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

*Role, Practice and Responsibilities of the Group towards Creditors including Credit Guarantees*

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

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

The Group has established a strategy in the treasury function to promote security and strength in capital management to prevent the Group 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 while 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 Pillar II of the Bank of Thailand.

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

The Group realizes that support from counterparties is an important part of its success. 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 Bank or Group companies fail 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 which 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. Opportunities 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. Examples include 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 the Approved



Supplier List 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 associated 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 Group towards Competitors*

The Group conducts the business 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 Group towards the Community, Society and the 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 business 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 which is illegal, is connected with corruption or poses a threat to society and the security of the nation; take part in any activity which causes harm to the community, society or the environment and partake of any profit which can arise from burdening society.

The Group stands firm in its commitment to the synergy of the benefit of the organization, employees, clients and shareholders with 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, financial and investment management, systems implementation and law for the benefit of society and the community.

The Group supports employees at every level in developing their skills with periodic training seminars to instill a sense of responsibility towards the community, society and the 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 works.

The Group has set aside an appropriate budget for the community, social and charity works without being limited to projects which can be used for tax reduction purposes only; supports projects which help maintain culture and traditions as well as promotes 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 the Group's activities for the community, society and the environment 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 Group intends and is committed to taking a stand against corruption in any form by adhering to the Guidelines for Business Conduct Policy, Corporate Governance Policy, 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



business have announced their intention to be part of the CAC which obtains support from the government and the National Anti-Corruption Commission. The Bank and all of its subsidiaries in the capital market business have been certified as full members of the CAC and have been recertified every three years as follows:

- The Bank was certified as a full member of the CAC on January 16, 2015 and was recertified on November 10, 2017;
- PHATRA was certified as a full member of the CAC on January 10, 2014 and was recertified on March 9, 2017;
- PTSEC was certified as a full member of the CAC on April 4, 2014 and was recertified on March 9, 2017; and
- PASSET was certified as a full member of the CAC on October 3, 2014 and was recertified on February 12, 2018.

The Bank and its subsidiaries in the capital market business have 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. Such 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. It covers all types of payments which 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 Group will not cooperate with or support any illegal activity which involves corruption or is 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 which is of more than nominal value from any person or entity with which the Group does or seeks to do business.

- The Bank and its subsidiaries in the capital market business require 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, Risk Management Committee and senior executives. Key risk indicators are determined for the monitoring and controlling of such risks to within an acceptable level as well as to ensure efficiency and preparedness to deal with potential risks in the future.
- The Bank and its subsidiaries in the capital market business have issued regulations on the 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 and its subsidiaries in the capital market business communicate the Anti-corruption Policy and related regulations and clarify the role of employees when they see suspicious actions related to corruption. The Group will not demote or take disciplinary action against any person who refused to be involved in a corruption scheme even though it may have





made the Group lose a business opportunity. The Group also distributes information on its Anti-corruption Policy to directors, executives and employees through the intranet and via executive talks by the CEO. The Bank invited the Bank's executives to attend and discuss topics relating to anti-corruption and policy statement and provided 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 annually for both new and existing employees to review their understanding towards the Anti-corruption Policy.

The Bank and its subsidiaries in the capital market business also communicate the Anti-corruption Policy to the general public and other stakeholders through various channels, such as email, the website, the annual report and the CSR report. Furthermore, letters have been sent to notify clients and counterparties about their 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 cooperation 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.
- The Bank and its subsidiaries in the capital market business, in conjunction with the CAC, have announced the No Gift Policy, which is consistent with the Group's continuous practices on anti-corruption. Moreover the Bank has cooperated with the Thai Bankers'

Association to declare the No Gift Policy to confirm its intent against corruption in any form and support transparency and good corporate governance in its business operation.

#### 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, both financial and non-financial, is disclosed correctly, accurately, on a timely basis and in a transparent manner through the SET's channel, the Bank's annual report, the annual statement (Form 56-1), the 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 the management discussion and analysis along with the performance update presentations on a quarterly basis on its website. The Group has never submitted its financial reports late.

All disclosed information, as well as that made public to shareholders and investors, is disseminated through the Bank's website, which is upgraded, regularly updated and made bilingual to benefit shareholders.



In 2018, senior executives and 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	19
Analyst and Investor Meeting	4
Domestic Investor Conference	5
International Roadshow	3
Press Conference	2

Furthermore, the Board of Directors prepared a statement of its responsibilities concerning the financial reports signed by the Chairman of the Board of Directors and CEO and ensured that the roles and responsibilities of committees of the Bank are disclosed in Form 56-1, the annual report and the 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 : Mrs. Dujdao Intharasombat  
Phone : 0-2495-1366  
Facsimile : 0-2495-1253  
Email : investor\_relations@kiatnakin.co.th  
Website : www.kiatnakinphatra.com  
Address : Kiatnakin Bank Public Company Limited  
Investor Relations Department  
9<sup>th</sup> Floor, KKP Tower A  
209 Sukhumvit 21 (Asoke) Road, Khlong Toey-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 has assigned 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 auditors of the Bank, so as to recommend the remuneration of independent auditors.





The Board of Directors, at meeting No. 2/2561 on February 22, 2018, approved a proposal by the Audit Committee to propose to the AGM the appointment and remuneration of auditors from PwC as the auditor of the Bank for 2018. 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 sound knowledge and understanding of the operations and related accounting standards relevant to the commercial banking and capital market businesses.

The audit fee was approved by the Bank's shareholders' meeting of which details for 2018 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, four non-executive directors and four executive directors, with a variety of skills, specialized experiences, genders, ages, etc. which commensurate with the size, complexity, business nature, risks and strategies of the Group. 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 at least 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 and main goal;
- (2) Ensure that all directors contribute to the Bank's ethical culture and good corporate governance;
- (3) Set the Board meeting agendas by discussing

with the CEO and ensure that important matters are included;

- (4) Allocate sufficient time for management to propose topics and for directors to debate on important matters thoroughly. Encourage directors to exercise independent judgment for the best interest of the Bank; and
- (5) Promote a culture of openness and debate through ensuring constructive relations between executives 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 Group companies 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 management. The relationship of the Board of Directors and management is in the form of co-working.

#### - *Independent Director*

As of February 21, 2019, the Bank has laid down qualification requirements for independent directors as follows:

- (1) Hold not more than 0.5% of the total shares with voting rights of the Bank, its parent company, its subsidiary, its affiliate, a major shareholder or controlling person, inclusive of the shares held by related persons;
- (2) Not be or have previously been a non-independent director; as well as a manager; an employee; a staff member or an advisor or a controlling person of the Bank, its parent company, its subsidiary, its affiliate or its subsidiary at the same level or a major shareholder or controlling persons unless the termination of being in such a 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 be 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 other directors, executives, a major shareholder, controlling person or person who will be nominated to take up the position of director, executive or controlling person of the Bank or its subsidiary;
- (4) Have no current or previous business relationship with the Bank, its parent company, its subsidiary, its affiliate, a major shareholder or controlling person in the manner which may interfere with his/her independent discretion and not be or have 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, a 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 of financial assistance by borrowing or lending money, suretyship, providing assets as collateral and any other similar actions, which results in the Bank or its 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. In this regard, the calculation of such indebtedness shall be in accordance with the method for calculating the value of related party transactions under the notification of the Capital Market Supervisory Board re: Rules on Execution of Related Party Transactions. In any case, the consideration of such indebtedness shall include the indebtedness

- incurred during the period of one year to the date of establishing the business relationship with the related person;
- (5) Not be or have previously been an auditor of the Bank, its parent company, its subsidiary, its affiliate, a 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, a 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 be or have 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, a major shareholder or controlling person and not be 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 be 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 undertake any business in the same nature and in competition with the business of the Bank and its subsidiary; not be a significant partner in a partnership or without benefits related to the Bank which may affect his/her independent decisions or be an executive director, employee, staff or advisor who receives salary or hold shares of more than 1% of the total shares with voting rights of another company which has the same nature of business and is in competition with the business of the Bank or its subsidiaries;
- (9) Not be an independent director who holds positions in the Bank, its parent company,



its subsidiary, its affiliate or its subsidiary at the same level for more than nine years. In addition, for an independent director who has held the position for less than nine years - if he/she has been discharged from the position of independent director while over that period, he/she has not been appointed as a director, manager, person with power of management, advisor or staff member of the Bank, its parent company, its subsidiary, its affiliate or its subsidiary at the same level - he/she may be re-appointed as an independent director but the period during which he/she serves as an independent director must be all counted.

For an independent director who has held the position for nine years and wishes to be re-appointed as an independent director, he/she must have been discharged from the position of director, manager, person with power of management, advisor or staff member of the Bank, its parent company, its subsidiary, its affiliate or its subsidiary at the same level at least two years before the day the appointment request is submitted. (Any independent director holding the position for more than nine years and still holds the position on the date of this definition can continue to be an independent director until May 1, 2022.)

- (10) Have no characteristics which may affect the giving of independent opinions, decision or voting on the Bank's operations.

- *Other Committees*

To further study and screen matters in particular areas, the Board of Directors has appointed five committees, namely: the Audit Committee, the Nomination and Remuneration Committee, the Risk Management Committee, the Executives Committee and the Compliance and Governance Committee. The authorities, duties and responsibilities of such committees are shown in the Management Structure section.

## 5.2 Term of Directorship

The Bank stipulates in Clause 18 of the Articles of Association that at every AGM, at least one-third (1/3) of the directors shall retire from their 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.

In 2018, the Board of Directors reviewed the Corporate Governance Policy and amended the term of directorship section in such policy. It prescribes that independent directors can hold their positions for no more than nine consecutive years. For any independent director who has held the position for nine years and wants to be re-appointed as an independent director, such director must have been discharged from the position at least two years before the day the appointment request is submitted to the Bank of Thailand. In addition, for any independent director who has held the position for less than nine years, if he/she has been discharged from the position, such independent director may be re-appointed as an independent director. Yet, the term of directorship of such independent director must be all counted.

For the Bank's independent director who is qualified according to the Bank of Thailand's notification No. FPG. 13/2552 on Corporate Governance of Financial Institutions and is in such position prior to the effective date of the Bank of Thailand's notification No. FPG 17/2561 on Corporate Governance of Financial Institutions (No. 2), if he/she has held the position for more than nine years, such director can still be in office until May 1, 2022.

## 5.3 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.

## 5.4 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



which reflect the business target and strategy in the future. Furthermore, the Board of Directors sporadically monitors the management's business operation in accordance with the Group's strategic direction.

In the previous year, the Board of Directors, in meeting No.12/2561 dated November 13, 2018, reviewed the Bank's vision and mission in order to be consistent with the business target and strategy.

#### 5.5 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, regulations and policies which govern or apply to the businesses of the Bank and Group companies 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) treating individuals with respect and dignity; 6) safeguarding the Group's information, assets and property; 7) compliance with the law; 8) written and electronic communications and 9) commitment to promoting ethical conduct (as per details shown on the Bank's website). The Group communicates and disseminates the Guidelines for Business Conduct Policy via the Bank's intranet so that employees and executives can acknowledge and comply with the guidelines when they perform their duties. Furthermore, all employees of the Bank have to do e-learning and pass the test on the Guidelines for Business Conduct Policy on an annual basis.

#### 5.6 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 a written policy on conflict of interest which is used for the Bank and Group companies.

The Group expects each director, management and employee to avoid activities, interests or associations which may interfere with the independent exercise of his/her judgment or the best interests of the Group, its clients, its shareholders or the public or activities which are unethical or can damage the Group's good reputation.

The Bank and Group companies will not proceed with any transaction which may lead to conflict of interest, unless such transaction is conducted in compliance with the law and ethics or under the following principles:

- Transactions which provide the utmost benefit to clients or are necessary and beneficial to clients under the circumstances;
- Transactions which 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 ensure transparency or fairness for clients.

#### 5.7 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 Group companies on risk management to build an understanding of risks and encourage employees' involvement in managing risks.

For IT risk management, the Bank has the IT Policy and Information Security Policy, which have been approved and regularly reviewed once a year by the Board of Directors, so that executives, employees and outside individuals engaging with the Bank's information technology have an operating framework for IT security.

The Bank's IT Policy defines frameworks for operation in several matters, which are: 1) confidentiality, 2) system sourcing and setting, 3) data backup system and disaster recovery plan, 4) IT insourcing and outsourcing, 5) information management and 6) IT incident and problem management.

The Bank's Information Security Policy defines frameworks for operation regarding: 1) information security; 2) organization of information security; 3) asset management; 4) human resources security; 5) physical and environment security; 6) communication and operation management; 7) access control; 8) information system acquisition, development and maintenance; 9) information security incident management; 10) business continuity management and 11) compliance.

Moreover, the Board of Directors has defined the Bank's IT Risk Management Policy in order for the Bank to have efficient and adequate IT risk management and control systems which are in line with the nature, volume and complexity of businesses, as well as to control any risk which may incur from technology usage in the future to be within an acceptable level. The IT Risk Management Policy is based on the three key principles, which are 1) confidentiality of system and information, 2) integrity of system and information and 3) information technology availability, as well as the clients' information protection and benefit. In order to be appropriate with the situation and business, such policy is reviewed at least once a year or when there is significant change.

## 5.8 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, the 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 must have at least 75% attendance of all Board meetings held in a year, unless with reasonable ground or necessity.

The quorum of the Board meeting consists of at least two-thirds of the Board members. The number of Board meetings should be consistent with the duties and responsibilities of the Board of Directors and no less than six times per year. During 2018, the Board of Directors met fourteen times. Also, there was one internal meeting among non-executive directors held on September 27, 2018 to discuss on the method for improving the performance evaluation of the Board of Directors 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 Chairman of the Board and CEO are jointly responsible for compiling the important and necessary agendas to be discussed during the meeting. However, any director may freely request to add any agenda item for discussion.

The Banks' Corporate Secretary is responsible for the meeting arrangement and sending notices of meetings together with relevant documents to each Board member no 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 is a 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 the meetings are recorded, certified by the Board of Directors and made available for examination by the Board and relevant parties.

In the event that any director has a conflict of interest in any matter, directly or indirectly, he/she must disclose it to the Board of Directors before that matter is considered and must not take part in the decision-making process of such matter and it will be recorded in the minutes of the meeting.

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.

#### 5.9 Development of Directors and Executives

The Bank encourages its directors and executives to participate in seminars and training sessions of the IOD, the SET or other institutions to benefit the performance of their duties for the Bank and the Group.

In 2018, there were nineteen directors and senior executives who attended the training programs of the IOD, the Bank of Thailand and other institutions as per details shown in Profiles of the Directors, Executives, Controlling Persons and Corporate Secretary section and summarized as follow:

No.	Name of Director or Senior Executive	Course	Course Organizer
1.	Mr. Supol Wattanavekin	- Seminar: Chairman Dinner 2018 "Social Responsibilities in Action"	- Thai Institute of Directors Association
2.	Mrs. Dayana Bunnag	- Bangkok Fin Tech Fair 2018: SME and Consumer Financial Solutions - Audit Committee Forum on "Upcoming Financial Reporting Standards (TFRS 9, 15 and 16): Major Changes of Financial Reporting" (2018)	- Bank of Thailand - KPMG in Thailand



No.	Name of Director or Senior Executive	Course	Course Organizer
3.	Mr. Chet Pattrakornkul	<ul style="list-style-type: none"> <li>- Seminar: IOD Director Briefing 1/2018 "Burning Issues Directors Need to Hear in the Year of the Dog"</li> <li>- Bangkok Fin Tech Fair 2018: SME and Consumer Financial Solutions</li> <li>- IT Governance and Cyber Resilience Program (ITG 9/2018)</li> <li>- Seminar: Director Briefing 1/2018 "Start Less, Finish More: Building Strategic Agility with Objectives and Key Results"</li> </ul>	<ul style="list-style-type: none"> <li>- Thai Institute of Directors Association</li> <li>- Bank of Thailand</li> <li>- Thai Institute of Directors Association</li> <li>- Thai Institute of Directors Association</li> </ul>
4.	Mr. Pongtep Polanun	<ul style="list-style-type: none"> <li>- Seminar: Director Briefing 1/2018 "Start Less, Finish More: Building Strategic Agility with Objectives and Key Results"</li> </ul>	<ul style="list-style-type: none"> <li>- Thai Institute of Directors Association</li> </ul>
5.	Mr. Tamin Chirasoonton	<ul style="list-style-type: none"> <li>- IT Governance and Cyber Resilience Program (ITG 8/2018)</li> <li>- Seminar: Director Briefing 1/2018 "Start Less, Finish More: Building Strategic Agility with Objectives and Key Results"</li> </ul>	<ul style="list-style-type: none"> <li>- Thai Institute of Directors Association</li> <li>- Thai Institute of Directors Association</li> </ul>
6.	Mr. Suvit Mapaisansin	<ul style="list-style-type: none"> <li>- Seminar: Director Briefing 1/2018 "Start Less, Finish More: Building Strategic Agility with Objectives and Key Results"</li> </ul>	<ul style="list-style-type: none"> <li>- Thai Institute of Directors Association</li> </ul>
7.	Prof. Dr. Anya Khanthavit	<ul style="list-style-type: none"> <li>- Study trip for the development and planning of energy in Germany, Kingdom of Spain and the French Republic (2018)</li> <li>- Value Creation and Enhancement for Listed Companies with the New COSO 2017 Enterprise Risk Management (ERM)</li> <li>- Strategic Board Master Class (SBM 5/2018)</li> </ul>	<ul style="list-style-type: none"> <li>- Electricity Generating Authority of Thailand</li> <li>- Faculty of Commerce and Accountancy, Thammasat University</li> <li>- Thai Institute of Directors Association</li> </ul>





No.	Name of Director or Senior Executive	Course	Course Organizer
8.	Mr. Banyong Pongpanich	<ul style="list-style-type: none"> <li>- Guest speaker for 20 courses as follows: <ul style="list-style-type: none"> <li>1) Corruption in Thai Society</li> <li>2) Future of Thailand: The 20-Year National Strategy</li> <li>3) New Management Technics for Success (two classes)</li> <li>4) Leaders for the Future of Thailand</li> <li>5) Corruption and Thai Economic Development</li> <li>6) Anti-Corruption and Ethical Leadership</li> <li>7) Anti-Corruption and Good Governance for Modern Executives</li> <li>8) Capitalism and Thai Capital Market (two classes)</li> <li>9) Live Wisely in Thailand 4.0 Era</li> <li>10) Development Administration and Sustainable Development</li> <li>11) Crisis Management (two classes)</li> <li>12) The Future of Money, Finance, and Central Banking</li> <li>13) Corruption in Thai Society</li> <li>14) CEO as Social Change Agent</li> <li>15) THAILAND</li> <li>16) Capital Market and Thai Economic Development</li> <li>17) Government Adjustment for 4.0 Economy and Society</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- 13 organizations/institutes</li> <li>- ISRA Institute Thai Press Development Foundation</li> <li>- Office of the Council of State</li> <li>- King Prajadhipok's Institute</li> <li>- Office of Insurance Commission (OIC)</li> <li>- Capital Market Academy</li> <li>- National Institute of Development Administration</li> <li>- 2morrow Scaler</li> <li>- Bank of Thailand</li> <li>- RE-CU Real Estate Chulalongkorn</li> <li>- MCOT Public Company Limited</li> <li>- Thai Listed Companies Association</li> <li>- Comptroller General's Department (CGD)</li> <li>- Office of the National Broadcasting and Telecommunications Commission</li> </ul>
9.	Ms. Thitinan Wattanavekin	<ul style="list-style-type: none"> <li>- Bangkok Fin Tech Fair 2018: SME and Consumer Financial Solutions</li> </ul>	<ul style="list-style-type: none"> <li>- Bank of Thailand</li> </ul>
10.	Mr. Suraphol Kulsiri	<ul style="list-style-type: none"> <li>- Bangkok Fin Tech Fair 2018: SME and Consumer Financial Solutions</li> <li>- Risk Management Committee Program for Corporate Leaders (RCL 11/2018)</li> </ul>	<ul style="list-style-type: none"> <li>- Bank of Thailand</li> <li>- Thai Institute of Directors Association</li> </ul>



No.	Name of Director or Senior Executive	Course	Course Organizer
11.	Mr. Aphinant Klewpatinond	- CEO CLUB 2018 “Start Less Finish More: Building Agility and Engagement with Objective and Key Results (OKRs)”	- Stock Exchange of Thailand
12.	Mr. Chatchai Dusadenoad	- Bangkok Fin Tech Fair 2018: SME and Consumer Financial Solutions - Enhance Efficiency and Growth through Process Innovation (2018)	- Bank of Thailand - Stock Exchange of Thailand
13.	Mr. Norachet Sangruji	- Bangkok Fin Tech Fair 2018: SME and Consumer Financial Solutions	- Bank of Thailand
14.	Mr. Therapong Vachirapong	- Bangkok Fin Tech Fair 2018: SME and Consumer Financial Solutions	- Bank of Thailand
15.	Mr. Preecha Techrunghchaikul	- Bangkok Fin Tech Fair 2018: SME and Consumer Financial Solutions - Bond Trader's Refresher Course 2018 - CFO Focus (2018)	- Bank of Thailand - Thai Bond Market Association - Federation of Accounting Professions Under the Royal Patronage of His Majesty the King
16.	Mr. Worrakrit Jaruwongpak	- Bangkok Fin Tech Fair 2018: SME and Consumer Financial Solutions	- Bank of Thailand
17.	Mr. Sammit Sakulwira	- Director Certification Program (DCP 261/2018)	- Thai Institute of Directors Association
18.	Dr. Popanit Poommarapan	- 3 <sup>rd</sup> Edition Practical Guide to Excellence in Operational Risk (2018)	- Marcus Evans, Singapore
19.	Mrs. Penroong Suwannakudt	- Applying OKRS into Your Company Mission and Value (2018)	- Personnel Management Association of Thailand

Also, the Corporate Secretary Department arranges Executive Talk sessions on the business operation of the Group for directors. During 2018, there were six sessions on the following topics:

No.	Month	Topic	Presented by
1.	March	KKP IT 2017 - 2018	Mr. Chatchai Dusadenoad Head of Information Technology Group



No.	Month	Topic	Presented by
2.	June	Cyber Security	Mr. Narudom Roongsiriwong Senior Vice President, Information Technology Group
3.	July	From Goldilocks to Annie to Les Miserables	Dr. Supavud Saicheua Director and Advisor of PTSEC
4.	August	Eisenhower Fellowships	Dr. Pipat Luengnaruemitchai Assistant Managing Director Head of CIO Office of PTSEC
5.	November	IFRS9: Ready for Impact	Dr. Popanit Poommarapan Head of Risk Management Group
6.	November	Agility on Transforming World	Mr. Therapong Vachirapong Head of Corporate Strategy Group

The Board of Directors is periodically made aware of the development plan for directors and executives. Over the past year, 2018-2019 training programs relevant to the development of directors and executives of the Group were brought for acknowledgment during the Board of Directors' meeting No. 12/2561 held on November 13, 2018.

#### 5.10 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 Policy, the 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. If the company is acquired through debt restructuring, it will be considered as the company in the same group as the Bank. Furthermore, directors of the Bank can serve as directors of other

listed companies on the SET and overseas stock exchanges for no more than four companies, excluding listed companies on the SET acquired through debt restructuring. This is consistent with the Bank of Thailand's notification No. FPG.10/2561 on Corporate Governance of Financial Institutions dated on May 22, 2018. Also, the Corporate Governance Policy of the Bank suggests that executive directors of the Bank be director of no more than two listed companies outside the Group.

Directors of the Bank may not hold shares or be directors 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 the post of 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 in Thailand or overseas, he/she must receive approval from the Executive Committee of the Bank. This is in order to prevent any conflict of interest which may arise.

All newly-appointed directors must disclose all activities and interests outside the Bank upon



being appointed and all directors are duty-bound to disclose any changes to the status of interest outside the Bank to the Bank.

#### 5.11 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, 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. The CEO and President of the Bank must not serve as a full-time employee of other organizations, unless the Bank of Thailand considers that it does not affect the effectiveness of their duties at the Bank.

As stipulated in the Corporate Governance Policy, 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. If the company is acquired through debt restructuring, it will be considered as the company in the same group as the Bank. Furthermore, the CEO and President of the Bank can serve as directors of other listed companies on the SET and overseas stock exchanges for no more than four companies, excluding listed companies on the SET acquired through debt restructuring.

The CEO and President of the Bank may not hold shares or be a director 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 the post of 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 the post of director in a listed company in Thailand or overseas, he/she must be pre-approved by the Executive Committee of the Bank in order to avoid any conflict of interest which 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 the status of interest outside the Bank.

#### 5.12 Director Orientation

The Bank realizes the importance of duties performed by new directors. Consequently, all new directors must be 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 Secretary 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 2018, the Board of Directors consisted of current directors and no new director was appointed.

#### 5.13 Succession Plan

The Board of Directors assigns 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. This aims to prepare candidates in significant positions and assure the continuity of the Bank's business operation and 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 is regularly reported to the Board of Directors for acknowledgement.

#### 5.14 Board of Directors' Self-assessment as a Whole

The Board of Directors conducts 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 as a whole 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 the 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 or strongly disagree to strongly agree. The result of the 2018 annual assessment of the Board of Directors as a whole is favorable with an average score of 3.63.

#### 5.15 Board of Directors' Self-assessment as an Individual

In 2018, the Board of Directors conducted its self-assessment as an individual by both self-evaluation and cross-evaluation. It is conducted on a yearly basis. The assessment result is gathered and summarized by the Corporate Secretary and is used to improve the performance of the Board of Directors.

The individual self-evaluation assessment form used for the Board of Directors has been adjusted to make it suitable for the context of the Bank's Board of Directors. It assesses two major aspects: 1) director's duties and 2) expected role and competency of which the entire aspects account for eleven individual subjects as a whole within the range of 0-4 or strongly disagree to strongly agree. The result of the 2018 annual assessment of the Board of Directors as an individual by self-evaluation is favorable with an average score of 3.65.

The assessment form used for the Board of Directors as an individual by cross-evaluation assesses two major aspects: 1) director's duties and 2) expected role and competency of which the entire aspects account for eleven individual subjects as a whole within the range of 0-4 or strongly disagree to strongly agree. The result of the 2018 annual assessment of the Board of Directors as an

individual by cross-evaluation is favorable with an average score of 3.83.

#### 5.16 Committees' Self-assessment

In 2018, all five 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 1) performance according to duties, authorities and responsibilities; 2) the committee's meeting; 3) the performance of the chairperson and 4) 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 4.49 and 4.03 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 1) the structure and qualification of the committee; 2) the roles, duties and responsibilities of the committee; 3) the committee's meeting; 4) the performance of the committee; 5) the relationship with management and 6) 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 2.73.

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 which 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-nine 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 1) the structure and qualification of the committee; 2) the roles, duties and responsibilities of the committee; 3) the committee's meeting; 4) the performance of the committee; 5) the relationship with management and 6) 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 3.77.

#### 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. The evaluation is conducted by the Banks' directors and its result shall be taken into account in determining the CEO's remuneration. The evaluation also serves as feedback to the executive reflecting the need to review strategies, policies and management approaches to improve the management effectiveness and efficiency.

Evaluation results shall be shared with the CEO by the Chairman of the Board of Directors, Chairman of the Executive Committee and Chairman of the Nomination and Remuneration Committee to establish a mutual understanding on the expectations of the Board of Directors.

#### *Evaluation Methodology*

Executive performance evaluation consists of:

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

and members of committees of which the CEO serves as Chairperson.

The Nomination and Remuneration Committee's secretary shall collect evaluation results and 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 taking 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's performance:
  - 2.1 Visionary Leader
    - 2.1.1 Establishing direction and Group business structuring and position
    - 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 Collaboration 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





## Supervision of Subsidiaries and Affiliates

The Bank supervises the Group companies 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 report 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 the Group companies. 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 companies and directly reports to the Committee. In addition, the Board of Directors of the companies in the capital market business and/or the Audit Committee of those companies shall be responsible for supervising the Group companies in capital market business through the Group's internal audit units to operate under sufficient and appropriate internal control system and directly 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 announcements 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 and to align with the market conduct and the laws and regulations issued by regulators, namely the BOT, the OIC, the SEC and the SET, such as Corporate Governance Policy, Compliance Policy and Risk Management Policy. Additionally, the Bank issued and revised the Bank's operational policies, such as Market Conduct Policy, Service Channels Policy, Core Credit Policy, Commercial Lending Policy, Counterparty Risk Policy, Collateral Policy, Debt Restructuring Policy, IT Risk Management Policy, including the announcement of Guidelines for Customer Information Disclosure and the announcement of Guidelines for Data Privacy Protection, 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, children who are under the legal age and legal entity in which directors, executives and any other related persons collectively hold shares at an amount exceeding 30% of the total voting rights to report (Form 59) any changes in the status of their holdings of the Bank's securities and derivatives 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 statement has been made available to the public.

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 Policy. 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 2018, the Bank and its subsidiaries engaged PwC. as an external auditor for the Bank and its subsidiaries and incurred the fee charge as follows:

### Audit Fee

The Bank and its subsidiaries paid the audit fee in the previous accounting period totaling Baht 15.56 million.

### Non-audit Fee

The Bank and its subsidiaries paid the non-audit fee for other services including the accounting advice for TFRS 9: Financial Instruments, the services for financial and tax due diligence and the corporate income tax review in the previous accounting period totaling Baht 510,514 and in the future totaling Baht 450,900 will be paid for services previously agreed upon but not yet fully provided.



## 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 Policy 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 and development. Other internal control mechanisms include supervision and teammanagement, 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 & 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 2018, 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
- Master of Business Administration, University of Leicester, UK
- Bachelor of Accountancy (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

- Value Creation and Enhancement for Listed Companies with the New COSO 2017 Enterprise Risk Management (ERM) organized by the Faculty of Commerce and Accountancy, Thammasat University, and the SET
- Chief Audit Executive (CAE) Forum: Robotic Internal Control and Audit organized by the Bank and Financial Institution Internal Auditors Club
- IT/ Cyber Security for Auditor organized by Office of Internal Audit, Kiatnakin Bank Public Company Limited
- IFRS 9: Financial Instruments organized by Office of Internal Audit, Kiatnakin Bank Public Company Limited
- Audit Data Analytic organized by Office of Internal Audit, Kiatnakin Bank Public Company Limited
- 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 the 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 from 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 (TIBFA), 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

- Master of Business Administration with Finance Concentration, Eastern Michigan University, U.S.A.
- Bachelor of Accountancy, Chulalongkorn University

### Certificates or Diploma Programs

- Compliance Professional Standards in 2018 organized by the ASCO
- Operational Supervision for Head of Compliance in 2017 organized by the Thai Bankers' Association
- ASCO Compliance Training Program in 2017 organized by the ASCO
- Supervision of Insurance Business No. 1/2017 organized by Chula Unisearch, Chulalongkorn University
- Compliance Refresher Course in 2015 organized by the 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 (IIA)

### Work Experiences

2014-Present      Executive Vice President,  
Office of Compliance, Kiatnakin  
Bank Public Company Limited



2011-2014	Head of Operation Department, Phatra Securities Public Company Limited
2010-2011	Compliance Officer, Credit Suisse (Thailand) Securities Company Limited
2004-2010	Head of Compliance, Phatra Securities Public Company Limited
2003-2004	Compliance Officer, Merrill Lynch International Bank Limited (Merchant Bank) (Singapore Branch)
1999-2003	Compliance Officer, Merrill Lynch Phatra Securities Company Limited
1997-1999	Internal Auditor, Bangkok Bank Public Company Limited

#### Training Programs

##### Training Programs in 2018

- The Business Law of New Financial Institution Class 1 organized by the TIBFA
- The Law of the Office of the Consumer Protection Board in 2018, Market Conduct of the Bank of Thailand and the Practices of the Hire Purchase and Leasing organized by the Thai Hire-Purchase Association
- Anti-Money Laundering and Counter Financing of Terrorist (AML/CFT) Training for Transaction Reports under section 13 and section 16 Course 1, Class 2 organized by the AMLO
- The Information Technology Risk Supervision of Financial Institute organized by Compliance Club of the Thai Bankers' Association
- Compliance Professional Standards in 2018 organized by the ASCO
- Anti-Corruption Working Paper Program No.3/2018 organized by the Federation of Accounting Professions under the Royal Patronage of His Majesty the King
- Workshop for Customer's Risk Management Framework organized by the SEC
- Compliance and Compliance Audit Auditing 7.0 CPE Credits organized by the IIA

- Roundtable Discussion 2018: Driving Business Value & Sustainability through Active by the SEC
- Discussion on the Privacy Protection, Big Data and GDPR in the Digital Economy Development organized by the Bank of Thailand and the College of Local Administration, Khonkaen University
- The Financial Instruments: TFRS 9 organized by the Department of Business Development, Ministry of Commerce
- Insurance Expo 2018: Converging Insurance Business Model with Insurance in Digital Disruption organized by the OIC
- Re-Inventing Business Model Through Technological Lens organized by the SEC and Business Software Alliance (BSA)

##### Training Programs in 2017

- Financial Advisor' Code of Conduct and Working Procedures under Code of Conduct (Amended) organized by Investment Banking Club, the ASCO
- 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 the 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

#### 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 2017 and 2018, 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
			2017	2018	
Phatra Capital Public Company Limited/ PHATRA	99.98% owned by the Bank	<ul style="list-style-type: none"> <li>- Loans</li> <li>- Deposit</li> <li>- Other assets</li> <li>- Other liabilities</li> <li>- Interest income</li> <li>- Dividend income</li> <li>- Other income</li> <li>- Other expense</li> </ul>	1,870 3 15 107 77 420 15 153	1,770 31 13 130 106 841 19 183	The Bank calculated interest at the normal rate similar to regular clients.
Phatra Securities Public Company Limited/ PTSEC	Indirectly holding via PHATRA of 99.95%	<ul style="list-style-type: none"> <li>- Loans</li> <li>- Deposit</li> <li>- Other assets</li> <li>- Other liabilities</li> <li>- Interest income</li> <li>- Other income</li> <li>- Interest expense</li> <li>- Other expense</li> </ul>	3,050 22 62 64 40 (10) 7 36	- 167 79 58 49 53 6 89	The Bank calculated interest at the normal rate similar to regular clients.
Phatra Asset Management Company Limited/ PASSET	Indirectly holding via PHATRA of 99.97%	<ul style="list-style-type: none"> <li>- Deposit</li> <li>- Other assets</li> <li>- Other income</li> </ul>	9 1 8	16 9 24	The Bank calculated interest at the normal rate similar to regular clients.



Name	Relationship	Description of Transaction	Transaction Amount (Baht Million)		Reasons and Necessities
			2017	2018	
Erawan Law Office Company Limited	99.96% owned by the Bank <i>(Registered for liquidation on June 30, 2016 and under liquidation process)</i>	- Deposit	6	6	The Bank calculated interest at the normal rate similar to regular clients.
The Asia Recovery 1 Fund	99.95% owned by the Bank	- Other assets - Dividend income and profit sharing	- -	8 8	
The Asia Recovery 2 Fund	99.59% owned by the Bank	- Other assets - Dividend income and profit sharing - Other income	- - 1	90 90 1	
The Asia Recovery 3 Fund	99.97% owned by the Bank	- Dividend income and profit sharing - Other income	12 2	2 2	
Thai Restructuring Fund	98.91% owned by the Bank	- Dividend income and profit sharing - Other income	1 2	43 5	
Bangkok Capital Fund	95.72% owned by the Bank	- Deposit  - Other assets - Dividend income and profit sharing - Other income	59  - 243 2	201  168 301 9	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	229  276 4	166  237 7	The Bank calculated interest at the normal rate similar to regular clients.
KKP Tower Company Limited <small>(Formerly named as "CMIC Development Company Limited" and registered for company name change on May 9, 2018)</small>	84.30% owned by the Bank	- Loans - Deposit  - Other assets - Other liabilities - Interest income - Interest expense - Rental and service Expenses	960 103  50 7 49 - 174	1,274 108  53 8 48 1 191	The Bank calculated interest at the normal rate similar to regular clients.



Name	Relationship	Description of Transaction	Transaction Amount (Baht Million)		Reasons and Necessities
			2017	2018	
Phatra Asset Management (Cayman) Limited	Indirectly holding via PHATRA of 99.98%	-	-	-	
Phatra Equity Market Neutral Asia Pacific Fund	Indirectly having 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
			2017	2018	
Business entities in which the directors, key executives and related persons have significant influence	Business entities are related to the directors and executives	- Deposit	36	146	The Bank calculated interest at the normal rate similar to regular clients.
		- Borrowings	600	500	
		- Other assets	1	1	
		- Other liabilities	6	8	
		- Interest expense	30	21	
		- Other expenses	67	104	

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
			2017	2018	
Directors/ key executives/ related persons	Directors/ key executives/ related persons	- Deposit	428	619	The Bank calculated interest at the normal rate similar to regular clients.
		- Loan	-	3	
		- Borrowings	48	38	
		- Interest expense	8	9	PTSEC and PASSET provide services and charge at the same commission rate as other regular clients.
		- Brokerage income	13	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 consolidated financial statement of the Bank and its subsidiaries, the separate financial statement of the Bank 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 with appropriate accounting policies applied on a consistent basis, careful consideration and reasonable estimations. Adequate disclosures have been made in the notes to the financial statements. These are transparent and reasonable presentations which reflect a true and fair financial position and performance which is useful to all shareholders and investors. Moreover, these financial statements have been audited by an independent certified public accountant whose unqualified opinions are stated therein.

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 in 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 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 consolidated financial statement of the Bank and its subsidiaries and the separate financial statement of the Bank for the year ended December 31, 2018.

Mr. Supol Wattanavekin  
Chairman

Mr. Aphinant Klewpatinond  
Chief Executive Officer



## Report of the Audit Committee

The Audit Committee of Kiatnakin Bank Public Company Limited (the “Committee”) comprises the following three independent directors, each of whom possesses extensive knowledge and experience in finance, accounting, economic and organization management.

- |                              |                              |
|------------------------------|------------------------------|
| 1. Mrs. Dayana Bunnag        | Chairperson of the Committee |
| 2. Mr. Chet Pattrakornkul    | Member of the Committee      |
| 3. Mr. Veravat Chutichetpong | Member of the Committee      |

In 2018, the Committee had thirteen 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 as well as acknowledged the progress on the preparation to support the IFRS 9 Financial Instruments which would be effective in 2020. 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 auditor and external auditor, the Committee reviewed the internal control system, including information technology security and control as well as cyber security to assess the efficiency and sufficiency of these systems. The Committee suggested the internal auditor and external auditor to put emphasis on the partaking as consultant and reviewing the readiness of new systems including the new core banking system and ERP system. Moreover, in 2018, 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, engaged external assessor to undertake quality assessment over internal audit function and reported the results to the Board of Directors, 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 2019. 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 and reviewed its services, aiming 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 Audit Committee, in accordance with good Governance, Risk and Control (GRC) framework, so as to allow all committee members to be able to assess overall picture of the Group's internal control.

According to a self-assessment carried out in 2018, the results suggested that the Committee has satisfactorily discharged its duties in accordance with the requirements set out in the Committee's charter.

In summary, the Committee has performed its duties independently and has been open in expressing its opinions for the best benefit of the Bank. The Committee is of opinion that the Bank has appropriate and efficient risk management, and sound internal controls in place for undertaking related party transactions, monitoring compliance with the rules and policies, and for other Bank's operations. The financial statements of the Bank are reliable and have been constructed with sufficient control systems and in accordance with Thai Financial Reporting Standards.

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 15, 2019  
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 (the “Committee”). Currently, the structure of the Committee complies with the Bank of Thailand’s regulations on Corporate Governance of Financial Institutions and supports increasing the effectiveness and efficiency of the Committee. As of December 31, 2018, the Nomination and Remuneration Committee consists of three directors as follows:

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

In 2018, the Committee held six meetings. A summary of the Committee’s key resolutions are presented below:

1. Selected and nominated candidates for the Bank’s directors to replace the directors who were retired by rotation in order to propose such candidates to the Board of Directors and subsequently to the annual shareholders’ meeting for election, as well as monitored and ensured that the component and size of the Board of Directors are adequately effective in supporting the Bank’s business directions and complies with corporate governance. The Committee utilized mechanism or tools in the candidate selection and nomination process, such as the Board Skill Matrix, to ensure that the proposed directors possess the knowledge, competency and experiences beneficial to the long-term operation and suitable for the business direction and strategy of the Group.
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 said nominations to the Bank of Thailand for endorsement and subsequently to the Board of Directors for approval and appointment. Consideration of the candidates’ qualifications was given to ensure diversity and appropriateness in terms of knowledge, competence and experiences in order to strengthen and support the Group’s business direction.
3. Assured the annual performance assessment of the Board of Directors, CEO and President were properly carried out. The assessments were conducted by members of the Board of Directors and other related committees. The assessment results, including all feedbacks and comments to increase the 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-committee members are appropriate given their assigned duties and responsibilities and are 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. Approved compensation of the CEO and President based on the scope of duties and responsibilities, relevant risks, assessment result, long- and short-term performance of the Bank and the Group companies and ability to increase long-term shareholders’ values under the annual budget framework approved by the Board of Directors.



6. Reviewed roles, duties and responsibilities of the Committee to ensure they are complete and consistent with the required regulations and suitability of the board's self-assessment form for greater benefit. The Committee agreed to add a cross-evaluation to reflect views of directors which could be used for directors' improvement and nomination.
7. 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 the total compensation concept as specified.
8. Acknowledged the succession planning of senior executive positions and gave suggestions on talent management, selection and development to be implemented to ensure the Bank's business continuity and support business direction.

The Nomination and Remuneration Committee provided a disclosure of relevant information on remuneration and compensation in various forms including the report of the Committee presented in the 2018 Annual Report.

A handwritten signature in black ink, appearing to read 'Veravat Chutichetpong'.

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 following two knowledgeable and experienced directors: Mr. Chet Pattrakornkul (an independent director as the Chairman of the Committee) and Mr. Tarnin Chirasoonon (a non-executive director). During the year 2018, one of the Committee’s members - Mrs. Patraporn Milindasuta (the Chief Governance Officer) - resigned from the Bank with an effect from March 1, 2018.

In 2018, the Committee held six meetings and undertook the following important actions:

- Reviewed and revised the Committee’s charter, policies and action plan prior to proposing to the Board of Directors for approval as follows:
  - Endorsed the review and the revision of the Committee’s charter to be in alignment with the operation and duties as assigned by the Board of Directors to oversee the Bank and Group companies and conduct businesses in compliance with laws, regulations, rules and corporate governance principles.
  - Endorsed the review and the revision of the Corporate Governance Policy of the Bank to comply with current operations and regulations such as the Corporate Governance Criteria of Financial Institutions released by the Bank of Thailand.
  - Reviewed and revised the Compliance Policy of the Group for the year 2018.
  - Endorsed the Market Conduct Policy and the Strategic Plans.
- Approved the action plans of the Office of Compliance for year 2018.
- 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, such as monitoring the compliance with regulations related to bond trading transactions, offering the unit-linked products and the sale process of bancassurance according to the guidelines of the Bank Conduct of the Bank of Thailand, etc.
- Acknowledged the compliance reports of the Bank and Group companies proposed by the compliance units. The Committee also expressed its views and made suggestions on the improvement of the Bank’s and the Group’s compliance. In case where any significant issues, which might cause a compliance risk, were found, the Committee requested the management or relevant unit to urgently address such issue.
- Considered and expressed opinions on the compliance reports for year 2017 prior to submission to relevant governing authorities.
- Assessed the performance of the Committee to review the annual performance for the year 2018.

In 2018, 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 139 listed companies was ranked “5 TIA” within full 100 score from the quality assessment of its Annual General Meeting of Shareholders in 2018 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 2018 and received five Logos from the IOD.
- One of 79 listed companies selected by the SET to receive Thailand Sustainability Investment 2018 for four 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 2018 for the fourth consecutive year due to outstanding sustainability performance of ESG aspects.

The Bank recognizes the importance of our business conduct with ethics and integrity in order to comply with laws, business conduct and good corporate governance. This is because our business is predicated on trust and respect of clients, 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.

A handwritten signature in black ink, appearing to be 'Chet Pattrakornkul'.

Mr. Chet Pattrakornkul  
Chairman of the Compliance and Governance Committee





## Report of the Risk Management Committee

The Risk Management Committee of Kiatnakin Bank Public Company Limited consists of ten members, namely Mr. Supol Wattanavekin (Chairman), Mr. Banyong Pongpanich, Prof. Dr. Anya Khanthavit, Mr. Aphinant Klewpatinond, Mr. Philip Chen Chong Tan, Mr. Krittiya Veeraburus, Mr. Norachet Sangruji, Mr. Pansalit Trakarnkitvichit and Mr. Preecha Techarungchaikul.

In 2018, the Risk Management Committee held thirteen 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 Delegation of Authority Policy for Retail Lending-Product Program.
3. Reviewed and improved the risk management system, as well as approved the criteria and regulations of the Bank and Group companies, 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 2018, single lending limit plan, and risk mitigation plan.
4. Approved the well-suited member changes and acknowledged the performance of sub-committees under supervision.
5. Acknowledged the Bank and the Group's overall risk, credit risk analysis and management report, operational risk and loss report, and issues from the Risk Management Committees of the subsidiaries in the capital market business.
6. Reported credit risk management policies and loan approval criteria to the Executive Committee and Board of Directors.

Mr. Supol Wattanavekin  
Chairman of the Risk Management Committee



## Report of the Executive Committee

The Executive Committee of Kiatnakin Bank Public Company Limited consists of eight members, namely Mr. Banyong Pongpanich as chairman, with Mr. Aphinant Klewpatinond, Mr. Krittiya Veeraburus, Ms. Thitinan Wattanavekin, Mr. Pracha Chumnarnkitkosol, Dr. Anuchit Anuchitanukul, Mrs. Patchanee Limapichat and Mr. Philip Chen Chong Tan as members. Mr. Supol Wattanavekin is advisor of the Executive Committee.

In the year 2018, the Executive Committee had fifteen meetings to perform its duties in accordance with the duties and authorities assigned by the Bank's Board of Directors. The key activities have been summarized here:

1. Determined the short and long-term business directions and strategic goals of the Group for both financial and non-financial aspects by analyzing the ecosystem and factors and endorsed the Group's vision, mission and corporate value for 2018 prior to proposing to the Board of Directors for approval.
2. Endorsed the revision of the mid-year 2018 business plan and budget and the business plan and annual budget for the years 2019-2021 of the Group by emphasizing on adequate and efficient allocation of key resources, for instance, capital investment, personnel, technology, etc. before proposing to the Board of Directors for approval.
3. Monitored the Group's business operation to ensure that it is in accordance with laws and specified policies and acknowledged important management reports, such as the risk appetite report, progress on the new core banking system project, the issuance and offering of debentures, the framework on maximum credit limit extended to real estate borrowers, the analysis on the impact of the macro-prudential policy, etc.
4. Approved and endorsed new policies, guidelines and working rules, including improving those currently being used to promote transparent and efficient business operation and in compliance with the changing regulations. Examples include IT policy, Delegation of Authority Policy for Commercial Lending and Counterparty Risk Limit Setting, Delegation of Authority Policy for Retail Lending-Product Program, Risk Participation Policy, Market Conduct Policy, Banking Service Channel Policy, Product Screening Policy, e-Marketplace Platform Policy, Guideline for Client Suitability Analysis of Derivative Transactions, etc.
5. Endorsed the revision of the Group's management guideline for 2018 to ensure it is in compliance with the current Group's organization structure and to enable the Group to have a better practice in corporate management and policy governance prior to proposing to the Board of Directors for approval.
6. Approved the unreviewed/ unaudited financial statements in order to disclose to the SET, relevant supervisory agencies and the public and approved debt write-off in accordance with the authority of the Executive Committee.
7. Considered the allocation of profit and dividend payment for the year 2017 prior to proposing to the Board of Directors for consideration and the 2018 Annual General Meeting of Shareholders for approval as well as the allocation of profit and interim dividend payment from the operating period during January 1-June 30, 2018 prior to proposing to the Board of Directors for approval.
8. Approved the continuance of the bancassurance exclusive partnership agreement with Generali Life Assurance (Thailand) Public Company Limited.



9. Approved the issuance and offering of debentures, structured notes and subordinated debentures which can be counted as tier 2 capital.
10. Endorsed the review and revision of the Capital Management Plan and Policy and the Internal Capital Adequacy Assessment Process (ICAAP Report) to ensure capital is appropriate for the current business operation prior to proposing to the Board of Directors for approval and approved the review and revision of the Liquidity Management Guideline for the year 2018.
11. Approved, reviewed and changed the credit line and credit covenant for the Bank's counterparties in accordance with the authority of the Executive Committee and endorsed the credit line and 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 credit covenant for the Bank's counterparties executed by the Main Credit and Foreclosed Property Committee.
12. Acknowledged the loan usage of large-sized clients of the Real Estate Lending Department and the improvement of Commercial Lending's NPL for the year 2017 and approved its NPL improvement plan for the year 2018 prior to proposing to the Bank of Thailand for consideration.
13. Revised the Bank's organization structure in order to support business operation in accordance with the corporate direction, business plan and strategy approved by the Board of Directors.
14. Reviewed and revised roles, duties and responsibilities of the Executive Committee prior to proposing to the Board of Directors for approval, approved the appointment of committee members for sub-committees under the supervision to ensure appropriateness and acknowledged the performance report of sub-committees under supervision.
15. Approved the 2017 and 2018 Executive Committee's reports and performed self-assessment for the year 2018.

Mr. Banyong Pongpanich  
Chairman of the Executive Committee



## Management Discussion and Analysis

Management Discussion and Analysis (MD&A) for the year ended December 31, 2018, comparing operating performance and financial position with those of the year ended December 31, 2017, is as follows:

### Overall Economy and Financial and Capital Market Environment

The Thai economy in 2018 expanded as expected according to its potential with growth for the first nine-month period of 2018 at 4.3%. For the last quarter of 2018, the economy continued to expand largely from domestic demand contributed by both private consumption and private investment. Private consumption grew notably in the durable goods segment (especially in vehicles) while growth in non-durable and semi-durable goods contracted partly from the decline in farm income both in terms of agricultural prices and production. Private investment also expanded from investment in machinery and equipment in line with the import of capital goods which partly stemmed from the relocation of the manufacturing base of hard disk drives to Thailand earlier. Meanwhile, public spending in capital expenditure slightly declined from the high base of last year. For the export sector, export value for 2018 expanded 6.7% from last year. In the tourism sector, the number of tourist arrivals for 2018 totaled 38.3 million, increasing 7.9% from last year due to a growth in tourists from key markets, such as Malaysia, India, South Korea, Japan and Russia. The number of Chinese tourists also exhibited an increase during December 2018, which was the first increase during the past five months since the Phuket boat incident, partly due to the exemption of visa on arrival fee which started from November 15, 2018 resulting in the number of Chinese tourist arrivals totaling 10.5 million for 2018, an increase of 7.4% from last year. Thailand's economy grew by 4.1% in 2018.

Thai economic growth for 2019 is expected to decelerate, with the main drivers namely the export and tourism sectors potentially slowing down partly from the continued trade tensions between the United States and China. Meanwhile, consumption could potentially be limited by the decline in farm income and the high level of household debt while inflation remains at a low level. Other key risks which need to be monitored are the slowdown in the global economy especially the Chinese economy, lower than expected growth in the tourism sector, political uncertainties and the strengthening of the Thai Baht's value which may impact competitiveness in international trade. However, the acceleration in public investment, fiscal stimulus and increase in the relocation of production bases to Thailand would be beneficial for private consumption and investments and lessen the negative impacts from the external factors.

For monetary policy, the Monetary Policy Committee (MPC) on December 19, 2018 resolved to raise the policy rate by 0.25% from 1.50% to 1.75% which was the first policy rate increase in seven years. The main factors which contributed to the rate hike are to curb financial stability risks and to start building policy space.

In the auto industry, expansion continued during 2018 with the total number of car sales at 1,041,739 units, a growth of 19.5% YoY. The commercial and passenger vehicle segments for 2018 expanded by 22.2% and 15.4% YoY respectively. The high growth in the passenger car segment was the result of a low base of the previous year, new car purchases from the first-car buyer scheme and continual marketing promotions of car manufacturers.

In the capital market, the average daily securities trading (SET and mai) for the year 2018 increased 15.1% from Baht 50,114 million in 2017 to Baht 57,674 million in 2018. The SET index at the end of 2018 closed at 1,563.88 points, decreasing by 10.8% from 1,753.71 points at the end of 2017.



### Overall Business Operations for 2018

The Bank's loan portfolio for the year 2018 expanded at 18.5% from the end of 2017 across all loan segments. In terms of asset quality, the amount of non-performing loans (NPLs) continued to show improvement with the NPL to total loan ratio at the end of 2018 declining to 4.1% from 5.0% at the end of 2017.

On the special asset management business, the Bank sold non-performing assets (NPAs) totaling Baht 1,378 million and had a gain of Baht 703 million. In the meantime, the financial markets business generated revenue of Baht 301 million in 2018.

For the capital market business, the market share among securities brokerages in the SET and mai (excluding proprietary trading) of PTSEC was 4.55% in 2018, decreasing from 4.69% in 2017 and ranking seventh from the total of thirty-eight brokers. The investment banking business generated total revenue of Baht 822 million while fees from the asset management business totaled Baht 801 million. Meanwhile, the investment business recorded a gain, when including comprehensive losses, of Baht 99 million.

Consolidated net profit (excluding non-controlling interests) for the year 2018 totaled Baht 6,042 million, an increase of 5.3% from Baht 5,737 million in 2017. Consolidated comprehensive income for 2018 totaled Baht 5,123 million, declining by 16.2% from Baht 6,115 million in 2017. Comprehensive income included the revaluation of available-for-sale securities as a result of the capital market volatility.

### Summary of Performance of the Bank and Subsidiaries

Percentage	4Q2017	2017	1Q2018	2Q2018	3Q2018	4Q2018	2018
Loan growth	4.8	9.3	5.7	4.3	3.5	3.8	18.5
NPLs/total loans (excluding interbank)	5.0	5.0	4.7	4.5	4.2	4.1	4.1
Total loan loss reserve/total NPLs (coverage ratio)	109.8	109.8	110.9	113.8	115.6	114.8	114.8
Total loan loss reserve/total mandatory reserve	188.6	188.6	186.1	183.0	184.9	186.3	186.3

### Profit and Loss Transaction

For the Year Ended December 31, (Baht'000)	Consolidated		Change	
	2018	2017	Amount	%
Interest income	16,294,353	14,844,465	1,449,888	9.8
Interest expenses	5,032,721	4,216,027	816,694	19.4
Interest income, net	11,261,632	10,628,438	633,194	6.0
Fees and services income	5,022,025	4,448,116	573,909	12.9
Fees and services expenses	442,747	392,980	49,767	12.7



For the Year Ended December 31, (Baht'000)	Consolidated		Change	
	2018	2017	Amount	%
Fees and services income, net	4,579,278	4,055,136	524,142	12.9
Gain on trading and foreign exchange transactions, net	457,007	268,337	188,670	70.3
Gain on financial liabilities designated at fair value through profit or loss, net	62,709	0	62,709	n.a.
Gain (loss) on investments, net	389,893	177,943	211,950	119.1
Dividend income and profit sharing	967,561	673,584	293,977	43.6
Other operating income	384,989	494,417	(109,428)	(22.1)
Total operating income	18,103,069	16,297,855	1,805,214	11.1
Other operating expenses				
Employees' expenses	5,573,375	4,967,514	605,861	12.2
Directors' remuneration	46,688	67,367	(20,679)	(30.7)
Premises and equipment expenses	1,163,974	988,137	175,837	17.8
Taxes and duties	392,544	332,325	60,219	18.1
Loss from revaluation of foreclosed assets	244,229	276,330	(32,101)	(11.6)
Loss from sale of foreclosed assets	237,664	209,155	28,509	13.6
Other expenses	1,811,985	1,737,545	74,440	4.3
Total other operating expenses	9,470,459	8,578,373	892,086	10.4
Impairment loss on loans and debt securities	1,245,495	763,224	482,271	63.2
Profit from operating before income tax expenses	7,387,115	6,956,258	430,857	6.2
Income tax expenses	1,342,829	1,190,205	152,624	12.8
<b>Net profit</b>	<b>6,044,286</b>	<b>5,766,053</b>	<b>278,233</b>	<b>4.8</b>
<b>Net profit attributable to:</b>				
Equity holders of the Bank	6,041,983	5,736,869	305,114	5.3
Non-controlling interests	2,303	29,184	(26,881)	(92.1)
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Bank	5,123,220	6,114,527	(991,307)	(16.2)
Non-controlling interests	1,283	26,523	(25,240)	(95.2)
<b>Earnings per share of equity holders of the Bank</b>				
Basic earnings per share (Baht)	7.14	6.78	0.36	5.3



### Operating Results for 2018 Compared to 2017

Consolidated net profit (excluding non-controlling interests) for the year 2018 totaled Baht 6,042 million, an increase of 5.3% YoY, of which Baht 1,380 million was net profit from the capital market business operated by PHATRA and subsidiaries. Meanwhile, consolidated comprehensive income for the year 2018 totaled Baht 5,123 million, declining by 16.2% YoY. The capital market business's comprehensive income was Baht 585 million. Comprehensive income included the revaluation of available-for-sale securities as a result of the capital market volatility.

Interest Income was Baht 16,294 million, increasing by 9.8% YoY from loan expansion. Interest income on loans increased by 23.5% YoY with interest income from hire purchase and financial leases also increasing by 3.1% YoY. Interest on investment in loans declined by 39.1%.

For the Year Ended	Consolidated		Change	
	December 31, 2018	December 31, 2017	Baht Million	%
<b>Interest Income</b>	<b>16,294</b>	<b>14,844</b>	<b>1,450</b>	<b>9.8</b>
Interest on loans	6,203	5,023	1,180	23.5
Interest on interbank and money market items	246	155	91	58.4
Hire purchase and financial lease income	9,074	8,805	269	3.1
Interest on securities	458	378	80	21.1
Interest on investment in loans	292	480	(188)	(39.1)
Others	22	3	19	614.0

Interest Expenses totaled Baht 5,033 million, an increase of 19.4% YoY from the growth in deposits consistent with the overall expansion in the loan portfolio. The cost of fund for the year 2018 was maintained at 2.3%, the same level as in 2017.

For the Year Ended	Consolidated		Change	
	December 31, 2018	December 31, 2017	Baht Million	%
<b>Interest Expense</b>	<b>5,033</b>	<b>4,216</b>	<b>817</b>	<b>19.4</b>
Interest on deposits	2,642	2,270	373	16.4
Interest on interbank and money market items	155	118	38	32.1
Interest on debt issued and borrowings	1,237	1,031	206	19.9
Fees and charges on borrowings	20	6	14	247.7
FIDF and DPA fees	931	754	177	23.5
Others	47	38	10	26.2





Net Interest Income amounted to Baht 11,262 million, an increase of Baht 633 million or 6.0% YoY from Baht 10,628 million in 2017. Yield on loan for 2018 declined from 7.5% to 7.2% from the expansion of loan portfolio in the low yield segment - housing loans, corporate lending and real estate development loans. Meanwhile, the cost of fund for 2018 was maintained at 2.3% resulting in loan spread declining from 5.2% in 2017 to 5.0% for 2018.

Ratio (%)	4Q2017	2017	1Q2018	2Q2018	3Q2018	4Q2018	2018
Yield on loan	7.4	7.5	7.2	7.2	7.3	7.3	7.2
Cost of fund	2.3	2.3	2.3	2.3	2.2	2.3	2.3
Loan spread	5.1	5.2	4.9	4.9	5.1	5.0	5.0

Net Fees and Services Income totaled Baht 4,579 million, increasing 12.9% YoY from Baht 4,055 million in 2017. For the commercial banking business, the bancassurance fee amounted to Baht 1,000 million, increasing 4.4% YoY from Baht 957 million for 2017. For the capital market business, fees from the asset management business totaled Baht 801 million, an increase of 49.9% YoY from Baht 535 million. Financial advisory and underwriting fees totaled Baht 560 million<sup>1</sup>, increasing from Baht 433 million in 2017. Meanwhile, brokerage income totaled Baht 1,563 million, increasing slightly from Baht 1,545 million in 2017.

Total Operating Income amounted to Baht 18,103 million, increasing by Baht 1,805 million or 11.1% from 2017 mainly from the increase in net interest income of 6.0% and net fees and services income of 12.9%. Additionally, the Bank had gains on trading and foreign exchange transactions totaling Baht 457 million, increasing by 70.3% YoY. The gains on investments also increased by 119.1% to Baht 390 million. Dividend income and profit sharing amounted to Baht 968 million, also increasing by 43.6% from last year.

Other Operating Expenses were Baht 9,470 million, increasing by 10.4% YoY from Baht 8,578 million in 2017. For 2018, the Bank recorded losses on the sales of foreclosed assets of Baht 238 million compared to losses of Baht 209 million in 2017. The losses on the sales of foreclosed assets comprised of losses from the sales of repossessed cars totaling Baht 941 million, with losses increasing from Baht 713 million in 2017, and gains on the sales of foreclosed properties totaling Baht 703 million increasing from gains of Baht 504 million in 2017. During 2018, the Bank sold foreclosed properties in the amount of Baht 1,378 million compared to Baht 987 million sold in 2017.

When excluding losses from the sales of foreclosed assets and losses from the revaluation of foreclosed assets, operating expenses for the year 2018 totaled Baht 8,989 million, increasing 11.1% from the operating expenses of Baht 8,093 million in 2017. Premises and equipment expenses increased from the renovation of KKP Tower. The cost-to-income ratio excluding losses from the sales of foreclosed assets and losses from revaluations stood at 47.8% for 2018, declining slightly from 48.2% in 2017.

1 For 2018, total revenue generated from the investment banking business totaled Baht 822 million which included the financial advisory fee, underwriting fee, brokerage revenue and other fees.



Impairment Loss on Loans and Debt Securities totaled Baht 1,245 million, increasing when compared to Baht 763 million in 2017. Loan loss provisions (excluding general reserve) including losses from the sales of repossessed cars stood at 1.16%<sup>2</sup> of average loans for 2018.

Allowance for doubtful accounts and allowance for troubled debt restructuring amounted to Baht 10,760 million with outstanding Baht 4,500 million in general reserve. The total loan loss reserve to total mandatory reserve ratio at the end of 2018 stood at 186.3% compared to 188.6% at the end of 2017. Meanwhile, the total loan loss reserve to total NPL ratio (coverage ratio) was at 114.8%, increasing from 109.8% in 2017.

Corporate Income Tax totaled Baht 1,343 million which was considered an 18.2% tax rate.

Basic Earnings per Share was Baht 7.14, increasing from Baht 6.78 per share in 2017.

Annualized Ratio	4Q2017	2017	1Q2018	2Q2018	3Q2018	4Q2018	2018
Net Profit (Baht Million)	1,305	5,737	1,513	1,551	1,551	1,427	6,042
ROAE (%)	12.8	14.1	14.4	14.7	15.0	13.7	14.5
ROE (%)	13.0	14.2	14.6	14.5	15.0	13.9	14.6
ROAA (%)	2.1	2.3	2.3	2.2	2.1	1.9	2.1
Comprehensive Income (Baht Million)	1,340	6,115	1,476	1,125	1,489	1,033	5,123
ROAE (%)	13.2	15.0	14.0	10.7	14.4	9.9	12.3
ROE (%)	13.4	15.2	14.3	10.5	14.4	10.0	12.4
ROAA (%)	2.1	2.5	2.2	1.6	2.0	1.4	1.8

2 Excluding reversal on losses from the impairment of investments in receivables of Baht 268 million during 3Q2018



### Statements of Financial Position of the Bank and Subsidiaries

Total Assets, as of December 31, 2018, totaled Baht 306,329 million, increasing by Baht 46,994 million or 18.1% from the end of 2017.

Assets (Baht'000)	Consolidated		Change	
	December 31, 2018	December 31, 2017	Amount	%
Cash	1,335,668	1,424,564	(88,896)	(6.2)
Interbank and money market items, net	28,199,589	11,510,827	16,688,762	145.0
Derivatives assets	3,315,858	3,373,938	(58,080)	(1.7)
Investments in securities, net	29,780,567	34,048,463	(4,267,896)	(12.5)
Investments in receivables, net	1,769,505	2,170,438	(400,933)	(18.5)
Investments in properties, net	22,132	148,233	(126,101)	(85.1)
Loans to customers and accrued interest receivables, net				
Loans to customers	249,982,184	211,741,726	38,240,458	18.1
Accrued interest receivables	1,170,011	980,205	189,806	19.4
Total loans to customers and accrued interest receivables	251,152,195	212,721,931	38,430,264	18.1
<u>Less</u> Deferred revenue	(22,086,038)	(19,634,968)	(2,451,070)	12.5
<u>Less</u> Allowance for doubtful accounts	(10,759,343)	(10,573,666)	(185,677)	1.8
<u>Less</u> Allowance for troubled debt restructuring	(432)	(2,294)	1,862	(81.2)
Total loans to customers and accrued interest receivables, net	218,306,382	182,511,003	35,795,379	19.6
Properties foreclosed, net	3,724,922	4,094,492	(369,570)	(9.0)
Land, premises and equipment, net	2,772,514	2,744,165	28,349	1.0
Other intangible assets, net	1,117,889	795,761	322,128	40.5
Goodwill	3,066,035	3,066,035	0	0.0
Deferred tax assets	1,861,740	1,703,440	158,300	9.3
Accounts receivable from clearing house and broker - dealers	3,411,791	3,992,555	(580,764)	(14.5)
Securities and derivative business receivables	4,212,723	4,741,374	(528,651)	(11.1)
Other assets, net	3,432,183	3,009,956	422,227	14.0
<b>Total assets</b>	<b>306,329,498</b>	<b>259,335,244</b>	<b>46,994,254</b>	<b>18.1</b>



Total Liabilities amounted to Baht 263,989 million, increasing 21.2% from the end of 2017. Deposits were Baht 181,694 million, increasing by 36.7%. Deposits comprised of 61.6% of term deposits and 38.4% of current and savings accounts (CASA), declining when compared with CASA of 40.6% at the end of 2017.

Meanwhile, debts and borrowings were Baht 49,008 million, declining by 13.5% from the end of 2017. During 2018, the Bank issued debentures totaling Baht 70,436 million. The loan to deposits and borrowings ratio stood at 99.1% compared to 101.8% at the end of 2017.

Liabilities (Baht'000)	Consolidated		Change	
	December 31, 2018	December 31, 2017	Amount	%
Deposits	181,693,821	132,878,106	48,815,715	36.7
Current account	352,967	414,598	(61,631)	(14.9)
Savings account	69,345,929	53,472,240	15,873,689	29.7
Term deposit	111,396,122	78,238,356	33,157,766	42.4
Certificate of deposit	598,803	752,912	(154,109)	(20.5)
Interbank and money market items, net	13,156,615	8,289,723	4,866,892	58.7
Liabilities payable on demand	503,487	557,819	(54,332)	(9.7)
Financial liabilities designated at fair value through profit or loss	1,193,144	0	1,193,144	n.a.
Derivatives liabilities	3,438,329	4,303,925	(865,596)	(20.1)
Debt issued and borrowings	49,008,059	56,657,584	(7,649,525)	(13.5)
Senior securities	40,222,972	50,657,584	(10,434,613)	(20.6)
Subordinated bond	8,290,000	6,000,000	2,290,000	38.2
Bills of exchange	495,088	0	495,088	n.a.
Provisions	779,584	632,129	147,455	23.3
Deferred tax liabilities	20,457	160,138	(139,681)	(87.2)
Accounts payable to clearing house and broker - dealers	120,194	422,323	(302,129)	(71.5)
Securities and derivative business payables	5,297,794	4,514,754	783,040	17.3
Accrued interest expenses	692,732	499,498	193,234	38.7
Other accounts payable	2,232,379	2,924,233	(691,854)	(23.7)
Legal Execution Department payable	0	575,380	(575,380)	(100.0)
Income tax payable and specific business tax payable	854,568	558,172	296,396	53.1
Other liabilities	4,997,775	4,813,228	184,547	3.8
<b>Total liabilities</b>	<b>263,988,938</b>	<b>217,787,012</b>	<b>46,201,926</b>	<b>21.2</b>



Shareholders' Equity was Baht 42,341 million, increasing by 1.9% from the end of 2017. Total issued and paid-up capital totaled Baht 8,468 million. Share premium totaled Baht 9,356 million. Unappropriated retained earnings were Baht 22,935 million.

#### Dividend Payment

The Bank paid the remaining dividend for the year 2017's operations at the rate of Baht 3.00 per share on May 21, 2018 and paid the interim dividend payment for the January 1 - June 30, 2018 operations at the rate of Baht 2.00 per share on September 21, 2018.

#### Capital Adequacy Ratio (BIS ratio)

As of December 31, 2018, the capital adequacy ratio (BIS ratio) under Basel III, which included profit for the first half of 2018 after deducting dividend payment, was at 16.29% while the Tier-1 ratio was at 12.49%. When including the profit up to the end of 2018, the BIS ratio will increase to 17.46% while the Tier-1 ratio will be 13.65%.

### 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 and PASSET. Both the commercial banking business and the capital market business work closely together in order to achieve combined results in the three business objectives which the Group places focus upon: 1) credit business and related transactions, 2) private banking and 3) investment banking. For the credit business which focuses on loan expansions to the retail and small and medium enterprise segment, the goals will be on establishing a timely credit process, building efficiencies, creating standards, identifying new alternative channels to reach the targeted client segment while maintaining an effective risk management and credit monitoring and control. For private banking, the goal is to grow the business by capitalizing on the capital market group's expertise in the wealth management business and through the commercial banking business's distribution channels to increase fee income and assets under advice. The area of investment banking will combine the expertise of several functions within the Group to allow the Group to offer more comprehensive financial services to meet clients' demands.

#### Commercial Banking Business

The commercial banking business includes retail lending, commercial lending, corporate lending, Lombard Loan, Special Asset Management (SAM) or distressed asset management loan and other loans. The breakdown of the total loan portfolio is as follows:

Type of Loans	December 31, 2018		December 31, 2017		Change
	Baht Million	%	Baht Million	%	(%)
<b>Retail Lending</b>	<b>140,402</b>	<b>61.4</b>	<b>125,954</b>	<b>65.3</b>	<b>11.5</b>
Auto hire purchase loan	108,191	47.3	103,926	53.9	4.1
Personal loan	6,528	2.9	5,745	3.0	13.6
Micro SME loan	7,040	3.1	5,031	2.6	39.9
Housing loan	18,642	8.2	11,252	5.8	65.7
<b>Commercial Lending</b>	<b>55,813</b>	<b>24.4</b>	<b>44,283</b>	<b>23.0</b>	<b>26.0</b>
Real estate development loan	29,052	12.7	21,276	11.0	36.6
SME loan	26,760	11.7	23,007	11.9	16.3



Type of Loans	December 31, 2018		December 31, 2017		Change
	Baht Million	%	Baht Million	%	(%)
Corporate Lending	23,873	10.4	15,807	8.2	51.0
Special Asset Management Loan	565	0.2	607	0.3	(6.9)
Lombard Loan	7,947	3.5	6,273	3.3	26.7
Total Loans and Account Receivables	228,599	100.0	192,924	100.0	18.5

#### - Retail Lending

Retail lending totaled Baht 140,402 million, increasing by 11.5% from the end of 2017. Retail loans include auto hire purchase loans, personal loans, micro SME loans and housing loans.

Auto Hire Purchase Loans amounted to Baht 108,191 million, expanding by 4.1% from the end of 2017. The new and used auto hire purchase business volume booked during the year 2018 totaled Baht 45,934 million, increasing by 34.1% from last year. As of the end of 2018, the portion of the auto hire purchase loan to the Bank's total loan portfolio was at 47.3% with the portion of new cars to used cars at 39:61. Domestic new car sales for the year 2018 totaled 1,041,739 units, increasing by 19.5% compared to last year. The penetration rate of the Bank's new car lending to domestic new car sales for the year 2018 was at 2.7% which was maintained at the same level as at the end of 2017.

Meanwhile, for 2018, the Bank's loan portfolio in other retail loans continued to expand by 46.2% from the end of 2017 with the total combined other retail loan portion to the Bank's total loan portfolio increasing to 14.1%.

#### - Commercial Lending

The commercial lending business amounted to Baht 55,813 million, an increase of 26.0% YoY. Commercial lending includes real estate development loans and SME loans with details as follows:

Real Estate Development Loans were Baht 29,052 million, expanding by 36.6% from the end of 2017. The increase was mainly a result of the Bank's expansion into a larger client segment since 2017.

SME Loans were Baht 26,760 million, an increase of 16.3%. SME loans comprise of several business sectors including apartment & hotel, logistics, commercial & industrial and construction machinery & materials.

#### - Corporate Lending

Corporate lending provides lending services to listed companies, large corporations or financing for investment banking transactions of the capital market business. The current outstanding loans totaled Baht 23,873 million, expanding by 51.0% YoY.

#### - Special Asset Management

The Special Asset Management Group is responsible for the distressed asset management business and sales of foreclosed assets. The current outstanding financial claim loans totaled Baht 565 million.

#### - Lombard Loan

The Lombard loan is a multi-purpose credit facility for wealth management clients using financial assets as collateral. Current outstanding loans totaled Baht 7,947 million, increasing by 26.7% YoY.



The table shows NPL distribution by loan type.

Type of Loans	December 31, 2018			December 31, 2017		
	Amount (Baht Million)	%	% of Loans	Amount (Baht Million)	%	% of Loans
<b>Retail Lending</b>	<b>3,485</b>	<b>37.1</b>	<b>2.5</b>	<b>2,985</b>	<b>30.9</b>	<b>2.4</b>
Auto hire purchase loan	2,443	26.0	2.3	2,223	23.0	2.1
Personal loan	193	2.1	3.0	166	1.7	2.9
Micro SME loan	579	6.2	8.2	431	4.5	8.6
Housing loan	270	2.9	1.4	165	1.7	1.5
<b>Commercial Lending</b>	<b>5,353</b>	<b>56.9</b>	<b>9.6</b>	<b>6,075</b>	<b>63.0</b>	<b>13.7</b>
Real estate development loan	3,942	41.9	13.6	4,558	47.2	21.4
SME loan	1,411	15.0	5.3	1,518	15.7	6.6
<b>Corporate Lending</b>	<b>0</b>	<b>0.0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>	<b>0.0</b>
<b>Special Asset Management Loan</b>	<b>565</b>	<b>6.0</b>	<b>100.0</b>	<b>587</b>	<b>6.1</b>	<b>96.7</b>
<b>Lombard Loan</b>	<b>0</b>	<b>0.0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total</b>	<b>9,403</b>	<b>100.0</b>	<b>4.1</b>	<b>9,647</b>	<b>100.0</b>	<b>5.0</b>

Consolidated NPLs as of the end of 2018 declined to Baht 9,403 million or 4.1% of total loans, declining from 5.0% at the end of 2017 as a result of the Bank's continuous close monitoring of asset quality. NPLs for the real estate segment continued to decline further from 21.4% at the end of 2017 to 13.6% at the end of 2018.

#### Capital Market Business

The capital market business comprises of the brokerage business, investment banking business, investment business and asset management business. Details are as follows:

##### - Brokerage Business

PTSEC operates agency business providing both securities and derivatives brokerage services to local and foreign institutional investors, as well as high-net-worth individuals under private wealth management. For high-net-worth clients, other wealth management products are provided such as mutual funds and structured products. For 2018, the market share<sup>3</sup> of PTSEC was 4.55%, ranking seventh from the total of thirty-eight brokers. PTSEC generated brokerage revenue totaling Baht 1,138 million, comprising of equity brokerage revenue of Baht 1,014 million and derivatives brokerage revenue of Baht 124 million. Additionally, PTSEC also had brokerage revenue from selling agent fees of Baht 486 million.<sup>4</sup>

<sup>3</sup> Including SET and mai but excluding proprietary trading

<sup>4</sup> Including selling agent fee received from subsidiary company



#### - Investment Banking Business

The investment banking business, operated by PTSEC, provides financial advisory service as well as underwriting service. In 2018, revenue was Baht 822 million, which could be broken down into financial advisory fee amounting to Baht 199 million, underwriting fees amounting to Baht 365 million, brokerage revenue amounting to Baht 150 million and other incomes amounting to Baht 108 million.

#### - Investment Business

The investment business of the Group is managed by three departments. PHATRA operates a direct investment business via the Direct Investment Department (DI), with a medium to long-term investment horizon, while PTSEC manages short-term investment via 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 one 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 one year investment horizon, applying a market-neutral strategy and advanced statistical modeling.

In 2018, DI, focusing on long-term investment with a value based investment philosophy, recorded losses on investment including losses on re-measuring available-for-sales securities, totaling Baht 827 million. HF posted gains of Baht 32 million.<sup>5</sup> Meanwhile, EDT had gains on investment totaling Baht 802 million.<sup>6</sup> Additionally, there were other investment incomes from treasury and liquidity management, resulting in overall investment income of Baht 99 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 asset under management as of December 31, 2018 was Baht 64,618 million, with a total of twenty-nine funds under management consisting of twenty-six mutual funds and three property funds. PASSET's market share in terms of mutual fund was 1.28%. In 2018, PASSET's fee income from the mutual fund business totaled Baht 508 million.

As of December 31, 2018 assets under management of the private fund was Baht 27,364 million. PASSET's fee income from the private fund business totaled Baht 302 million.

5 In addition to the investment revenue, HF also had foreign exchange losses and advisory fee revenue totaling Baht 3 million and hedging cost of Baht 13 million. In summary, total HF gain after the cost of hedging was Baht 22 million.

6 Income before deducting the cost of hedging: once deducting those costs, net gain was Baht 787 million.





## Credit Rating

As of April 25, 2018 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 “Positive” outlook. Details are as follows:

	November 26, 2015**	March 15, 2016*	April 11, 2017*	April 25, 2018*
Company Rating	A-	A-	A-	A-
Issue Ratings				
KK202A: Baht 3,000 million senior unsecured debentures due 2020	-	-	-	A-
KK203A: Baht 3,000 million senior unsecured debentures due 2020	-	-	-	A-
KK25DA: Baht 3,000 million hybrid tier 2 capital securities due 2025	BBB	BBB	BBB	BBB
Outlook	Stable	Stable	Stable	Positive

Remarks: \*CreditNews (annual credit review)

\*\*CreditUpdate (credit review for debentures issuance during the year)



## 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 2018, 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 2018;
- 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
<p><b>Allowance for doubtful accounts</b></p> <p>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 2018, the gross loans to customers balance was Baht 249,982 million and Baht 253,026 million. The balance of allowance for doubtful accounts of loans to customers was Baht 10,759 million and Baht 10,780 million, which represents 4.30% and 4.26% 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 2018 of Baht 2,483 million and Baht 2,485 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 51 for the cross-referred figures.</p> <p>The Bank classifies its loan portfolios into categories and sets an allowance for doubtful accounts for loans in accordance with the Bank of Thailand's notification, and with the management's estimation over the allowance for doubtful accounts from the ending balance of loans, 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.</p> <ul style="list-style-type: none"> <li>• For hire-purchase receivables, the allowance for doubtful accounts of loans to customers is applied under a collective approach based on a modelled basis for portfolios of hire-purchase loans. Some inputs to this model are subject to management judgement, which are qualitative factors used for loan classification and external factors such as macro-economic conditions.</li> <li>• For larger, individually significant loans to customers, the allowance for doubtful accounts is assessed individually. The key assumptions and judgement made by management are the expected cash flows to be received from debtors or from the sale of collateral.</li> </ul>	<p>I evaluated and tested the design and operating effectiveness of the controls over the allowance for doubtful accounts data and calculations. This included testing:</p> <ul style="list-style-type: none"> <li>• controls over calculation models for the allowance for doubtful accounts, including input data</li> <li>• controls over the estimations of collateral valuation</li> <li>• controls over the approval process for the annual credit review and classification of loans</li> <li>• controls over the input data to calculate credit scoring and the monitoring process under a qualitative approach</li> <li>• controls over the data transfer from source systems to the allowance for doubtful accounts models and model output to the general ledger</li> <li>• controls over the monitoring of the properness of models and qualitative data by the risk management department</li> <li>• IT controls for loan data, aging systems and collateral systems, and</li> <li>• 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.</li> </ul> <p>I didn't find any exceptions which have a material impact on the financial statements from those control tests.</p> <p>For individually assessed loans I selected samples of loans, and tested the estimation of the future expected cash flows from debtors, including from the realisation of collateral held. This involved assessing the work performed by both internal and external independent experts used by the Bank to value the collateral to check that the valuation is up to date. I assessed the current financial position and business plan of individual debtors and the key financial ratio used as the basis of measuring the allowance for doubtful accounts, to consider whether the key</p>



Key audit matter	How my audit addressed the key audit matter
<ul style="list-style-type: none"> <li>For personal loans, the percentage of allowance for doubtful accounts of loans is set following the loan aging report. Management also applies qualitative factors such as the additional judgement of loan classification for personal loans and retail loans.</li> <li>Apart from the minimum requirements of allowance for doubtful accounts following the Bank of Thailand's guidelines, the Bank also set an additional allowance for doubtful accounts as a part of the general reserve in order to be conservative. The general provision is considered from the industry risk and economic uncertainties.</li> </ul> <p>I focused my audit procedures on the allowance for doubtful accounts, specifically relating to:</p> <ul style="list-style-type: none"> <li>the key assumptions and judgements made by management related to loan classification, the percentage of allowance following the qualitative factors, collateral values, estimated expected cash inflows and the discount rate applied</li> <li>the post model adjustments in response to identified internal factors such as historical loss and external factors such as economic factors under the collective approach, and</li> <li>the completeness of loan balances and accounts that are included in the allowance for doubtful accounts calculation.</li> </ul>	<p>judgments were appropriate. I also challenged management to provide supporting evidence for the related key assumptions and impairment indicators, and I found that the key assumptions were appropriate.</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 and retail loans, I recalculated the accuracy of account receivables aging reports which both qualitative and timing criteria had been considered as well as the allowance rate used for personal loans and retail 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>



Key audit matter	How my audit addressed the key audit matter
<p><b><i>Impairment testing of goodwill</i></b></p> <p>As at 31 December 2018, the Group had a goodwill of Baht 3,066 million arose from the Capital Market segment, which was identified as the cash-generating unit (CGU). The recoverable amount of goodwill is determined by the Dividend Discount Model. Refer to the accounting policy related to goodwill in note 2.15, accounting estimates and assumptions in note 5.5 and related disclosures of goodwill in note 19.2.</p> <p>I focused on this area due to the significant value and the nature of the significant judgement and assumptions used in 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 ten-year period can reflect their business plan.</p> <p>The key assumptions that involve management judgement are:</p> <ul style="list-style-type: none"> <li>• Discount rate</li> <li>• Growth rate</li> <li>• Payout ratio</li> <li>• Expected future revenue and net profit generated from Capital Market Segment</li> </ul> <p>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>	<p>I evaluated management's assessment of impairment by inquiry with management about the method used and assumptions in the valuation model.</p> <p>Specific work where I challenged management and corroborated supporting evidence for appropriateness of valuation model included:</p> <ul style="list-style-type: none"> <li>• comparing the assumptions used within the valuation model to approved budgets and business plans, payout ratio estimated from the forecast business performance and other supporting evidence for future assumptions such as expected yearly market turnover and average commission rate</li> <li>• comparing key assumptions with external data. For example, I compared the discount rate with the risk-free rate of government bonds and market risk premium with market data and also tested the input data to check that the input data is updated and appropriate</li> <li>• 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</li> <li>• evaluated and challenged the group's net income forecast in a discussion with the management of the business involved, such as future business plans and focus</li> </ul> <p>I concluded that the key assumptions were reasonable, given the historic results and economic outlook.</p> <p>In the testing valuation model:</p> <ul style="list-style-type: none"> <li>• I checked the calculations for mathematical accuracy and I found no exceptions.</li> <li>• I considered the sensitivity of the calculation by varying the assumptions, which are the discount rate and growth rate, within a reasonable range.</li> </ul> <p>I found that management's assumptions appropriately reflected the current economic conditions in the capital market as at the financial statements.</p>



Key audit matter	How my audit addressed the key audit matter
<p><b>Implementation of new computer software</b></p> <p>The Bank started implementation of two new computer systems during the year. The first one was the ERP system, which went live on 1 October 2018. The other is the Core Banking system, which went live on 26 November 2018.</p> <p>The implementation led to a change in some of the Bank's control activities and processes related to deposits, loans to customers, purchase and procurement, and financial reporting. Implementation of new software can increase the risk of material misstatements not being detected by controls as the controls may now not operate effectively. The risk of material misstatements in the financial statements can be further increased if there is insufficient or improper training of the Bank's staff responsible for using the new systems.</p> <p>I focused on the implementation of new software due to the inherent risks generally associated with systems implementation and the risk of material misstatement in the financial statements. There is a risk of financial data not being accurately and completely migrated from the old to the new systems. In addition, financial data from related systems may not be accurately and completely interfaced with the new systems. The calculation of some related figures and the classification of financial information may also not be accurate.</p>	<p>I assessed that there is a risk of material misstatement in the financial statements because of the implementation of new computer software. I also assessed there is a risk that the transfer of financial information from the old system to the new systems may be inaccurate and incomplete.</p> <p>I made a few changes to the audit plan compared to previous years. The changes were mainly a response to the Bank's amended risks and control activities, due to the implementation of the new computer software.</p> <p>An IT specialist supported my work.</p> <p><b>My audit procedures included:</b></p> <ul style="list-style-type: none"> <li>• obtaining an understanding of and testing the Bank's IT general controls (ITGCs) relevant to the program development. I had highest focus on user acceptance testing and data migration</li> <li>• assessing the design of the controls deemed relevant to the audit and testing their operating effectiveness. This included the automated controls, system-generated information, system interfaces and access to critical functions</li> <li>• testing the accuracy of key calculations related to information in the financial statements, such as calculation of interest on deposits and loans to customers and depreciation calculation.</li> <li>• testing the accuracy and completeness of the transferred financial data by agreeing the outgoing balance from the old system to the ingoing balance in the new systems.</li> <li>• testing the accuracy of classification and disclosures of information in the financial statements.</li> </ul> <p>I found that the design, development and operation of the new computer software were appropriate and I didn't find any exceptions during the above testing procedures.</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.

Sakuna Yamsakul  
Certified Public Accountant (Thailand) No. 4906  
Bangkok  
21 February 2019





Kiatnakin Bank Public Company Limited and Subsidiaries  
Statement of Financial Position  
As at 31 December 2018

	Notes	Consolidated		Separate	
		2018	2017	2018	2017
		Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
<b>Assets</b>					
Cash		1,335,668	1,424,564	1,334,978	1,423,405
Interbank and money market items, net	6	28,199,589	11,510,827	25,246,153	12,870,593
Derivatives assets	7	3,315,858	3,373,938	3,161,627	3,316,528
Investments in securities, net	8	29,780,567	34,048,463	21,818,428	19,691,297
Investments in subsidiaries, net	9	-	-	9,971,501	10,151,608
Investments in receivables, net	10	1,769,505	2,170,438	472,574	771,663
Investments in properties, net	11	22,132	148,233	-	-
Loans to customers and accrued interest receivables, net	12				
Loans to customers		249,982,184	211,741,726	253,025,934	214,571,476
Accrued interest receivables		1,170,011	980,205	1,178,080	986,717
Total loans to customers and accrued interest receivables		251,152,195	212,721,931	254,204,014	215,558,193
Less Deferred revenue		(22,086,038)	(19,634,968)	(22,086,038)	(19,634,968)
Less Allowance for doubtful accounts	14	(10,759,343)	(10,573,666)	(10,779,781)	(10,592,366)
Less Allowance for troubled debt restructuring	16	(432)	(2,294)	(432)	(2,294)
Total loans to customers and accrued interest receivables, net		218,306,382	182,511,003	221,337,763	185,328,565
Properties foreclosed, net	17	3,724,922	4,094,492	5,205,620	5,784,417
Land, premises and equipment, net	18	2,772,514	2,744,165	896,718	831,274
Other intangible assets, net	19.1	1,117,889	795,761	1,051,079	734,362
Goodwill	19.2	3,066,035	3,066,035	-	-
Deferred tax assets	20	1,861,740	1,703,440	1,689,388	1,697,491
Accounts receivable from clearing house and broker - dealers		3,411,791	3,992,555	-	-
Securities and derivative business receivables		4,212,723	4,741,374	-	-
Other assets, net	21	3,432,183	3,009,956	2,951,084	2,486,790
<b>Total assets</b>		<b>306,329,498</b>	<b>259,335,244</b>	<b>295,136,913</b>	<b>245,087,993</b>

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 2018

	Notes	Consolidated		Separate	
		2018 Thousand Baht	2017 Thousand Baht	2018 Thousand Baht	2017 Thousand Baht
<b>Liabilities and equity</b>					
<b>Liabilities</b>					
Deposits	22	181,693,821	132,878,106	182,205,861	133,278,244
Interbank and money market items, net	23	13,156,615	8,289,723	13,338,684	7,950,697
Liabilities payable on demand		503,487	557,819	503,487	557,819
Financial liabilities designated at fair value through profit or loss		1,193,144	-	-	-
Derivatives liabilities	7	3,438,329	4,303,925	3,178,376	3,241,968
Debt issued and borrowings	24	49,008,059	56,657,584	47,143,389	51,923,796
Provisions	25	779,584	632,129	549,770	453,163
Deferred tax liabilities	20	20,457	160,138	-	-
Accounts payable to clearing house and broker - dealers		120,194	422,323	-	-
Securities and derivative business payables		5,297,794	4,514,754	-	-
Accrued interest expenses		692,732	499,498	692,015	498,932
Other accounts payable	26	2,232,379	2,924,233	2,067,031	2,774,187
Legal Execution Department payable	27	-	575,380	-	575,380
Income tax payable and specific business tax payable		854,568	558,172	641,165	470,152
Other liabilities	28	4,997,775	4,813,228	4,391,290	4,201,549
<b>Total liabilities</b>		<b>263,988,938</b>	<b>217,787,012</b>	<b>254,711,068</b>	<b>205,925,887</b>
<b>Equity</b>					
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	568,882	1,531,618	401,177	479,742
Retained earnings					
Appropriated					
Legal reserve	30	852,337	852,337	852,337	852,337
Others		380	380	380	380
Unappropriated		22,935,113	21,124,099	21,348,207	20,005,903
Total equity of the Bank		42,180,456	41,332,178	40,425,845	39,162,106
Non-controlling interests		160,104	216,054	-	-
<b>Total equity</b>		<b>42,340,560</b>	<b>41,548,232</b>	<b>40,425,845</b>	<b>39,162,106</b>
<b>Total liabilities and equity</b>		<b>306,329,498</b>	<b>259,335,244</b>	<b>295,136,913</b>	<b>245,087,993</b>

  
(Mr. Aphinant Klewpatinond)  
Chief Executive Officer

  
(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 2018

	Notes	Consolidated		Separate	
		2018 Thousand Baht	2017 Thousand Baht	2018 Thousand Baht	2017 Thousand Baht
Interest income	43	16,294,353	14,844,465	16,199,689	14,512,102
Interest expenses	44	5,032,721	4,216,027	4,932,222	4,112,583
<b>Interest income, net</b>		<b>11,261,632</b>	<b>10,628,438</b>	<b>11,267,467</b>	<b>10,399,519</b>
Fees and services income	45	5,022,025	4,448,116	2,180,082	1,988,594
Fees and services expenses	45	442,747	392,980	132,100	114,942
<b>Fees and services income, net</b>		<b>4,579,278</b>	<b>4,055,136</b>	<b>2,047,982</b>	<b>1,873,652</b>
Gain on trading and foreign exchange transactions, net	46	457,007	268,337	136,224	151,008
Gain on financial liabilities designated at fair value					
through profit or loss		62,709	-	-	-
Gain (loss) on investments, net	47	389,893	177,943	169,031	(190,746)
Dividend income and profit sharing		967,561	673,584	1,831,917	1,240,316
Other operating income	48	384,989	494,417	354,033	377,580
<b>Total operating income</b>		<b>18,103,069</b>	<b>16,297,855</b>	<b>15,806,654</b>	<b>13,851,329</b>
<b>Other operating expenses</b>					
Employee's expenses		5,573,375	4,967,514	4,164,486	3,681,652
Directors' remuneration		46,688	67,367	42,174	61,317
Premises and equipment expenses		1,163,974	988,137	896,570	838,704
Taxes and duties		392,544	332,325	370,036	313,960
Loss from revaluation of foreclosed assets		244,229	276,330	244,152	286,634
Loss (gain) from sale of foreclosed assets		237,664	209,155	670,073	391,456
Other expenses	49	1,811,985	1,737,545	1,590,669	1,486,431
<b>Total other operating expenses</b>		<b>9,470,459</b>	<b>8,578,373</b>	<b>7,978,160</b>	<b>7,060,154</b>
Impairment loss on loans and debt securities	50	1,245,495	763,224	1,223,482	757,787
<b>Profit from operating before income tax expenses</b>		<b>7,387,115</b>	<b>6,956,258</b>	<b>6,605,012</b>	<b>6,033,388</b>
Income tax expenses	51	1,342,829	1,190,205	1,030,673	957,090
<b>Net profit</b>		<b>6,044,286</b>	<b>5,766,053</b>	<b>5,574,339</b>	<b>5,076,298</b>

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 2018

	Notes	Consolidated		Separate	
		2018	2017	2018	2017
		Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Other comprehensive income (expenses)					
Items that will be reclassified subsequently to profit or loss					
Gain (loss) on remeasuring investments in receivables		(24,104)	(128,260)	23,244	7,514
Gain (loss) on remeasuring available-for-sale securities		(1,113,180)	685,108	(121,450)	70,529
Loss on currency translation differences		(2,849)	(9,805)	-	-
Income taxes relating to items that will be subsequently reclassified to profit or loss	52	217,633	(134,863)	19,641	(15,609)
Total items that will be reclassified subsequently to profit or loss		(922,500)	412,180	(78,565)	62,434
Items that will not be reclassified subsequently to profit or loss					
Remeasurements of post-employment benefit obligations		3,397	(46,479)	2,060	(16,203)
Income taxes on items that will not be subsequently reclassified to profit or loss	52	(680)	9,296	(412)	3,241
Total items that will not be reclassified subsequently to profit or loss		2,717	(37,183)	1,648	(12,962)
Total other comprehensive income		(919,783)	374,997	(76,917)	49,472
Total comprehensive income		5,124,503	6,141,050	5,497,422	5,125,770
Net profit attributable to					
Equity holders of the Bank		6,041,983	5,736,869	5,574,339	5,076,298
Non-controlling interests		2,303	29,184	-	-
Total comprehensive income attributable to					
Equity holders of the Bank		5,123,220	6,114,527	5,497,422	5,125,770
Non-controlling interests		1,283	26,523	-	-
Earnings per share of Equity holders of the Bank					
Basic earnings per share (Baht)	36	7.14	6.78	6.58	6.00

(Mr. Aphinant Klewpatinond)  
Chief Executive Officer

(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 2018



Consolidated (Thousand Baht)												
Equity attributable to the Bank's shareholders												
Other components of equity												
Appropriated retained earnings												
Deferred tax												
Surplus on business combination												
Total equity attributable to the Bank's shareholders												
Non-controlling interests												
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The accompanying notes are an integral part of these financial statements.



Kiatnakin Bank Public Company Limited and Subsidiaries  
Statement of Changes in Equity (Cont'd)  
For the year ended 31 December 2018

Separate (Thousand Baht)									
		Other components of equity					Appropriated retained earnings		
		Issued and paid-up share capital	Premium on share capital	Revaluation surplus (Deficit) on investments in receivables	Revaluation surplus (Deficit) on available-for-sale securities	Deferred tax relating to components of other comprehensive income (expenses)			
Notes							Legal reserve	Others	Total equity
	Opening balances as at 1 January 2017	8,467,511	9,356,233	117,283	404,351	(104,326)	852,337	380	39,116,718
32	Dividend paid	-	-	-	-	-	-	-	(5,080,382)
	Total comprehensive income (expense)	-	-	7,514	70,529	(15,609)	-	-	5,125,770
	Closing balances as at 31 December 2017	8,467,511	9,356,233	124,797	474,880	(119,935)	852,337	380	39,162,106
	Opening balances as at 1 January 2018	8,467,511	9,356,233	124,797	474,880	(119,935)	852,337	380	39,162,106
32	Dividend paid	-	-	-	-	-	-	-	(4,233,683)
	Total comprehensive income (expense)	-	-	23,244	(121,450)	19,641	-	-	5,497,422
	Closing balances as at 31 December 2018	8,467,511	9,356,233	148,041	353,430	(100,294)	852,337	380	40,425,845

(Mr. Aphinant Kiewpatinond)  
Chief Executive Officer

(Mr. Suraphol Kulsiri)  
Director

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 2018

	Consolidated		Separate	
	2018 Thousand Baht	2017 Thousand Baht	2018 Thousand Baht	2017 Thousand Baht
<b>Cash flows from operating activities</b>				
Profit from operating before income tax expenses	7,387,115	6,956,258	6,605,012	6,033,388
Adjustments to reconcile profit from operating before income tax expenses to cash received (paid) from operating activities				
Depreciation	554,330	683,545	228,590	214,893
Amortisation	128,127	128,855	101,432	109,804
Amortisation of premium on investments in securities	604,565	110,977	605,888	111,158
Bad debt and doubtful accounts	2,499,319	1,695,290	2,470,557	1,698,591
Loss on impairment of investments in receivables	18,157	49,704	24,906	40,966
Unrealised loss (gain) on trading and foreign exchange transactions	(807,516)	(216,057)	91,309	(655,315)
Loss on remeasuring trading securities	550,389	201,768	17,623	101,720
Loss (reversal) on impairment on general investment	(23)	990	14	1,140
Loss on impairment on investments in subsidiaries	-	-	159,316	225,225
Loss on diminution in value of properties foreclosed	244,229	276,331	244,152	286,634
Loss on impairment of other assets	6,402	4,962	6,402	4,962
(Gain) loss on disposal of investment in securities	1,221,206	(191,333)	(6,084)	(10,930)
Gain on disposal of equipment and intangible assets	(28,109)	(6,677)	(27,775)	(26,964)
Loss on disposal of investment in properties	-	16,313	-	-
Loss on write-off of equipment and intangible assets	15,724	239	4,165	102
Other income	-	-	(525)	-
Net interest income	(11,866,197)	(10,739,415)	(11,873,355)	(10,510,677)
Dividend income	(967,561)	(673,584)	(1,831,917)	(1,240,316)
Proceeds from interest income	16,814,365	14,912,521	16,727,112	14,574,558
Interest paid	(4,750,514)	(4,226,660)	(4,650,164)	(4,123,782)
Dividend received	959,811	675,080	310,496	288,348
Cash paid for corporate income tax	(1,141,708)	(1,278,544)	(839,132)	(1,031,218)
Increase in provision expenses	150,852	17,827	98,667	5,779
Increase in specific business tax payable	7,410	4,316	6,804	3,794
Increase in accrued expenses	102,322	141,271	109,910	163,135
Profit from operating before changes in operating assets and liabilities	11,702,695	8,543,977	8,583,403	6,264,995
(Increase) decrease in operating assets				
Interbank and money market items	(16,693,672)	(36,590)	(12,350,697)	400,922
Investments in trading and available-for-sale securities	5,588,949	(1,907,879)	1,958,373	(2,682,301)
Investments in receivables	265,564	205,180	204,319	24,409
Investments in properties	(5)	(2,545)	-	-
Loans and receivables	(42,451,234)	(22,597,893)	(42,577,018)	(23,218,826)
Properties foreclosed	4,485,717	4,132,466	4,721,554	4,296,285
Securities and derivative business receivables	528,651	2,860,647	-	-
Accounts receivable from clearing house and broker-dealers	580,764	(3,363,086)	-	-
Other assets	(437,580)	(885,483)	(501,852)	(902,762)

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 2018

	Consolidated		Separate	
	2018 Thousand Baht	2017 Thousand Baht	2018 Thousand Baht	2017 Thousand Baht
<b>Cash flows from operating activities (Cont'd)</b>				
Increase (decrease) in operating liabilities				
Deposits	48,815,715	22,955,187	48,927,617	23,069,212
Interbank and money market items	4,866,892	(69,928)	5,387,987	(49,494)
Liabilities payable on demand	(54,332)	332,429	(54,332)	332,429
Short-term borrowings	-	(90,000)	-	(90,000)
Accounts payable to clearing house and broker-dealers	(302,129)	(2,463,358)	-	-
Securities and derivative business payables	783,040	131,992	-	-
Other payables and Legal Execution Department payable	(1,270,062)	1,064,935	(1,290,672)	981,076
Other liabilities	(25,010)	(126,396)	(27,404)	(128,836)
Net cash from operating activities	16,383,963	8,683,655	12,981,278	8,297,109
<b>Cash flows from investing activities</b>				
Cash paid for long-term investments in securities	(14,981,724)	(8,950,923)	(14,144,994)	(5,276,214)
Proceeds from long-term investments in securities	10,171,354	5,738,381	9,320,600	3,179,593
Proceeds from reduction of the capital in subsidiaries	-	-	89,627	-
Dividend received and profit sharing from subsidiaries	-	-	1,406,672	420,528
Cash paid for investment in subsidiaries	-	-	(68,311)	-
Proceeds from sales of investment in property	-	226	-	-
Cash paid for building improvement and equipment	(471,037)	(686,364)	(290,345)	(267,808)
Proceeds from sales of equipment	29,676	28,967	28,056	28,091
Purchases of intangible assets	(447,984)	(188,712)	(415,181)	(170,490)
Net cash from investing activities	(5,699,715)	(4,058,425)	(4,073,876)	(2,086,300)
<b>Cash flows from financing activities</b>				
Proceeds from issuance of debentures	88,982,174	87,963,601	70,926,365	67,960,750
Cash paid for redemption of debentures	(96,613,438)	(87,211,715)	(75,688,511)	(68,835,000)
Proceeds from issuance of financial liabilities designated at fair value through profit or loss	1,193,144	-	-	-
Dividend paid	(4,233,683)	(5,080,382)	(4,233,683)	(5,080,382)
Dividend paid to minority interest	(29,302)	(28,733)	-	-
Decrease in share capital of minority shareholders in subsidiaries	(69,190)	(1,057)	-	-
Net cash from financing activities	(10,770,295)	(4,358,286)	(8,995,829)	(5,954,632)
Exchange losses on cash and cash equivalents	(2,849)	(9,805)	-	-
<b>Net increase (decrease) in cash and cash equivalents</b>	(86,047)	266,944	(88,427)	256,177
Cash and cash equivalents as at 1 January	1,424,564	1,167,425	1,423,405	1,167,228
<b>Cash and cash equivalents as at 31 December</b>	<b>1,335,668</b>	<b>1,424,564</b>	<b>1,334,978</b>	<b>1,423,405</b>

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 2018

**Supplementary information for cash flows:**

**Non-cash transactions**

Significant non-cash transactions for the years ended 31 December 2018 and 2017 are as follows;

	Consolidated		Separate	
	2018 Thousand Baht	2017 Thousand Baht	2018 Thousand Baht	2017 Thousand Baht
Increase (decrease) in account payables from				
land, premises and equipment purchased	2,828	(16,884)	8,136	5,414
Transfer of assets for loan settlement	4,360,376	4,774,905	4,272,160	4,630,838
Increase (decrease) in fair value reserves on				
investments in receivables	(24,104)	(128,260)	23,244	7,514
Increase (decrease) in fair value reserves on				
available-for-sale securities	(1,113,180)	685,108	(121,450)	70,529
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	-	-	114,749	531,440
Transfer of investments in properties to land, premises and equipment	125,608	684,763	-	-
Transfer of work in progress to land, premises and equipment	(105,091)	41,585	(99,400)	22,456
Transfer of work in progress to other intangible assets	(361,958)	204,521	(347,559)	185,556
Reclassification of investments	-	1,185	-	1,185

(Mr. Aphinant Klewpatinond)  
Chief Executive Officer

(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 2018

### 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 2018 and 2017, the Bank has 13 subsidiaries and funds (“subsidiaries”).

This consolidated and separate financial statements have been approved for issued by the Board of Directors on 21 February 2019.

### 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 were incorporated in Cayman. The list of subsidiaries is as below:

	Type of business	Ownership interest (%)	
		2018	2017
Phatra Capital PCL.	Holding Company	99.98	99.98
Phatra Securities PCL.	Securities	99.95 <sup>(1)</sup>	99.95 <sup>(1)</sup>
Phatra Asset Management Co., Ltd.	Fund Management	99.97 <sup>(2)</sup>	99.97 <sup>(2)</sup>
Erawan Law Office Co., Ltd.	Law Office	99.96 <sup>(3)</sup>	99.96 <sup>(3)</sup>
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
KKP Tower Co., Ltd. <sup>(6)</sup>	Real estate	84.30	80.58
Phatra Asset Management (Cayman) Limited	Fund Management	99.98 <sup>(4)</sup>	99.98 <sup>(4)</sup>
Phatra Equity Market Neutral Asia Pacific Fund	Investments	99.95 <sup>(5)</sup>	99.95 <sup>(5)</sup>

<sup>(1)</sup> Indirectly holding via Phatra Capital PCL. of 99.97%

<sup>(2)</sup> Indirectly holding via Phatra Capital PCL. of 99.99%

<sup>(3)</sup> Registered for liquidation on 30 June 2016 and under liquidation process

<sup>(4)</sup> Indirectly holding via Phatra Capital PCL. of 100.00%

<sup>(5)</sup> Indirectly having control via Phatra Securities PCL.

<sup>(6)</sup> Formerly named as “CMIC Development Co., Ltd.” and registered for company name changing on 9 May 2018.

## 2.3 Revised accounting standards, revised financial reporting standards, and related interpretations

2.3.1 Revised financial reporting standards are effective for annual periods beginning on or after 1 January 2018 which have significant change and are relevant to the Group:

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 profits.

The Group has already applied those accounting standards.

2.3.2 New and revised financial reporting standards and interpretation which have been issued but not yet effective.

2.3.2.1 The FAP has issued new standard, TFRS 15 Revenue from contracts with customers. This standard will become effective for annual periods beginning on or after 1 January 2019. The Group has not early adopted this standard.

TFRS 15	Revenue from contracts with customers
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TFRS 15 provide the requirements for the recognition of revenue. This standard will supersede the following standards:

TAS 11 (revised 2017)	Construction contracts
TAS 18 (revised 2017)	Revenue
TSIC 31 (revised 2017)	Customer loyalty programmes
TFRIC 13 (revised 2017)	Revenue - barter transactions involving advertising services
TFRIC 15 (revised 2017)	Agreements for the construction of real estate
TFRIC 18 (revised 2017)	Transfers of assets from customers

The new standard is based on the principle that

- revenue is recognized when control of a good or service transfers to a customer so the notion of control replaces the existing notion of risks and rewards



- an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

An entity recognizes revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Key changes to current practice are:

- Any bundled goods or services that are distinct must be separately recognized, and any discounts or rebates on the contract price must generally be allocated to the separate elements
- Revenue may be recognized earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome etc) - minimum amounts must be recognized if they are not at significant risk of reversal
- The point at which revenue is able to be recognized may shift: some revenue which is currently recognized at a point in time at the end of a contract may have to be recognized over the contract term and vice versa
- There are new specific rules on licenses, warranties, non-refundable upfront fees and, consignment arrangements
- As with any new standard, there are also increased disclosures.

Entities will have a choice to apply this standard retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, subject to the expedients or retrospectively with the cumulative effect recognized as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application with additional disclosures.

Management is currently assessing the impact from initial application of this standard in detail.

- 2.3.2.2 Revised financial reporting standards will become effect for annual periods beginning on or after 1 January 2019 and are relevant to the Group. The Group has not yet adopt these standards.



## TAS 40 (revised 2018)

## Investment Property

TAS 40, the amendments clarify that transfers to, or from, investment property can only be made if there has been a change in use that is supported by evidence. A change in use occurs when the property meets, or ceases to meet, the definition of investment property. A change in intention alone is not sufficient to support a transfer.

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

- 2.3.2.3 The Group of financial instruments reporting standards which are effective for annual periods beginning on or after 1 January 2020 consist of the following standards. These standards could be early adopted before the effective date only for the period beginning on or after 1 January 2019.

TAS 32	Financial instruments: Presentation
TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments
TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

The above new standards and interpretations will supersede the following standards:

TAS 101	Bad and Doubtful Debts
TAS 103	Disclosures in the Financial Statements of Bank and Similar Financial Institutions
TAS 104	Accounting for Troubled Debt Restructuring
TAS 105	Accounting for Investment in Debts and Equity securities
TAS 106	Accounting for Investment Companies
TAS 107	Financial Instruments: Disclosure and Presentation

TAS 32 Financial Instruments: Presentation, provides the requirements for the presentation financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities. It applies to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interest, dividends, losses and gains; and the circumstances in which financial assets and financial liabilities should be offset.



TFRS 7 Financial Instruments: Disclosures, provides the requirements for the disclosure that are intended to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, and to understand the nature and extent of risks arising from those financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks.

TFRS 9 Financial Instruments, establishes principles for the classification, measurement and derecognition of financial assets and financial liabilities, impairment requirement and hedge accounting as follow:

- Classification and measurement:
  - The classification and measurement of debt instrument financial assets has three classification categories, which are amortised cost, fair value through profit or loss and fair value through other comprehensive income. Classification of debt assets will be driven by the entity's business model for managing the financial assets and contractual cash flows characteristics of the financial assets.
  - Equity instrument financial assets shall be measured at fair value through profit or loss. An entity can make an irrevocable election to recognize the fair value change in other comprehensive income without subsequent recycling to profit or loss.
  - Financial liabilities are classified and measured at amortised cost. An entity can choose to measure a liability at fair value through profit or loss when the conditions are met.
  - Derivatives are classified and measured at fair value through profit or loss.
- The impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets measured at amortised cost, investments in debt instruments measured at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts. It is no longer necessary for a credit event to have occurred before credit losses are recognized. The entity always accounts for expected credit losses which involves a three stage approach. The stage dictates how the entity measures impairment losses and applies the effective interest rate method. Except for trade receivables and contractual assets which apply in TFRS 15 and are no significant financial components and lease receivables, they are permitted to measure by simplified approach for credit impaired consideration.
- The objective of hedge accounting is to represent, in the financial statements, the effect of an entity's risk management activities that use financial instruments to manage exposures arising from particular risks that could affect profit or loss (or other comprehensive income, in the case of investments in equity instruments for which an entity has elected to present changes in fair value in other comprehensive income). This approach aims to convey the context of hedging



instruments for which hedge accounting is applied in order to allow insight into their purpose and effect.

TFRIC 16 Hedges of a Net Investment in a Foreign Operation, clarifies the accounting treatment in respect of net investment hedging, provides guidance on identifying the foreign currency risks that qualify as a hedged risk. Clarifying that hedging instruments that are hedges of a net investment in a foreign operation may be held anywhere in the group not only by the parent. This includes the guidance on how an entity should determine the amount to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item.

TFRIC 19 Extinguishing financial liabilities with equity instruments, provides the requirements for accounting treatment when the entity issues equity instruments to a creditor to extinguish all or part of a financial liability. The equity instruments issued shall be measured at fair value. The entity shall remove a financial liability (or part of a financial liability) from its statement of financial position when it is extinguished in accordance with TFRS 9. The difference between the carrying amount of the financial liability (or part of a financial liability) extinguished and the fair value of equity instruments issued shall be recognized in profit or loss.

Management is currently assessing the impact of initial adoption of these standards.

## 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 recognizes 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 recognized in profit or loss.

Any contingent consideration to be transferred by the group is recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 acquiree 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 recognized 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 derecognized 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 recognized in the profit or loss.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognized in profit and loss, any exchange component of that gain or loss is recognized 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 recognized 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 recognized at cost, which is equal to the fair value of consideration paid plus transaction cost.

Purchases and sales of investments are recognized 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 recognized 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 recognized 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 recognizes 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 recognized 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 recognized 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 subsidiary, which is the 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 recognizes 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 recognize 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 recognize 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 recognized as expense in the statements of profit or loss and other comprehensive income.

### 2.14 Land, premises and equipment

The Group states land at historical cost, while premises and equipment are stated at historical cost less accumulated depreciation.

Subsequent costs are included in the asset's carrying amount or recognized 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 derecognized. 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 recognized 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 recognizes 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 recognized 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 recognized 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 Group 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 Group received money from its receivables which written off as bad debts, the Group 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 Group 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 Group 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 recognized 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 recognized immediately in profit or loss.



The Group recognizes 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 recognizes 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 recognized 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 recognized 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 recognized as interest expense.

### **2.25 Current and deferred income taxes**

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized 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 recognized, 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 recognized 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 recognized initially at fair value; attributable transaction costs are recognized 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 recognized 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 recognized 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" recognized as Securities and derivatives business payables, net in the statements of financial position, and securities lent to customers as "Securities borrowing and lending receivables" recognized 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 recognized as revenue. They are recognized 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 recognized 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 recognized 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 recognized as income on an accrual basis, except in the case of interest on loans which is over three months past due from the due date where interest is recognized on collection basis. The Bank reverses accrued interest income on loan when its principal or interest payment has become over three months past due to comply with the BOT's Notification dated on 29 June 2016. The Bank will recognize income only when cash is received and the Bank continues its income recognition on the accrual basis when the entire amount of the principal and overdue interest has been paid.

### 2.32 Hire-purchase and finance lease income

Interest income from hire-purchase contracts is recognized based on the effective interest method.

Interest income on hire-purchase is recognized on an accrual basis. The Bank reverses accrued interest income on hire-purchase when its principal or interest payment has become over three months past due to comply with the BOT's Notification dated on 29 June 2016. The Bank will recognize income only when cash is received and the Bank continues its income recognition on the accrual basis when the entire amount of the principal and overdue interest has been paid.

The Group recognizes 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 recognized 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 recognized on cash basis. Dividend income is recognized when dividend is declared.

### 2.34 Income from investments in receivables

The Group recognizes 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 Group recognizes fees and services income when services have been rendered.





#### 2.36 Recognition of expenses

The Group recognizes 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 recognized 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 accounting policy

The Group has changed the accounting policy related to the difference between initial fair value and transaction price of derivatives. Previously, the Group recognized the deferred difference in profit or loss at the end of contract. Currently, the Group changed the recognition method to amortise the deferred difference to profit or loss throughout the period of contract. The effect of this change in accounting policy is immaterial to the comparative financial statements.

### 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, financial liabilities designated at fair value through profit or loss, 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 or Risk Appetite of each portfolio as well as early warning indicator for monitoring of loan portfolio position with a systematic information reporting, in-depth analysis for the identification of risks and solution planning. A concentration risk limit is also utilised to lessen the volatility in the Group's performance. Examples of concentration limits include the Single Lending Limit and the Large Borrower Concentration Limit.

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 recognized financial assets, the carrying amount of the assets recorded in the statement of financial position, net of a portion of allowance for doubtful accounts, 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 2018 and 2017, concentrations of credit risk relative to the loans and receivables summarised by type of industry are as follows;

	Consolidated		Separate	
	2018	2017	2018	2017
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Agriculture and mining	260,986	406,405	260,986	406,405
Manufacturing and commerce	18,495,488	10,197,236	18,495,488	10,197,236
Real estate and constructions	38,106,953	29,039,695	39,380,703	29,999,445
Public utilities and services	15,659,346	10,136,217	15,659,346	10,136,217
Housing loans	16,899,099	10,314,201	16,899,099	10,314,201
Hire-purchase loans	114,076,226	109,336,445	114,076,226	109,336,445
Finance lease loans	510,572	661,655	510,572	661,655
Others	23,887,476	22,014,904	25,657,476	23,884,904
Total loans and receivables	227,896,146	192,106,758	230,939,896	194,936,508

#### 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 2018 and 2017, the loan information classified by fixed and floating rates is summarised as follows;

	Consolidated		Separate	
	2018	2017	2018	2017
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Loans and receivables with fixed interest rate	171,718,462	145,451,795	171,718,462	145,451,795
Loans and receivables with floating interest rate	56,177,684	46,654,963	59,221,434	49,484,713
Total loans and receivables	227,896,146	192,106,758	230,939,896	194,936,508



The Group has summarised financial assets and liabilities classified on maturity of interest re-pricing years as at 31 December 2018 and 2017 as follows;

	Consolidated						Total Thousand Baht
	2018						
	0 - 3 months Thousand Baht	Over 3 - 12 months Thousand Baht	Over 1 - 5 years Thousand Baht	Over 5 years Thousand Baht	Non- performing loans Thousand Baht	Non- interest bearing Thousand Baht	
Financial assets							
Interbank and money market items	25,065,600	216,199	-	-	-	2,935,275	28,217,074
Derivatives assets	480,223	188,034	-	-	-	2,647,601	3,315,858
Investments in securities, net	1,445,238	2,656,335	10,725,228	2,601,933	-	12,351,833	29,780,567
Investments in receivables, net	1,575	189,029	283,545	-	1,295,356	-	1,769,505
Loans	75,182,586	26,931,026	107,431,600	5,958,727	9,403,426	2,988,781	227,896,146
Account receivables from clearing house and broker - dealers	-	-	-	-	-	3,411,791	3,411,791
Securities and derivative business receivables	-	-	-	-	-	4,212,723	4,212,723
Financial liabilities							
Deposits	94,769,324	70,950,966	15,019,200	391,068	-	563,263	181,693,821
Interbank and money market items	8,283,848	2,179,000	1,016,003	83,382	-	1,594,382	13,156,615
Liabilities payables on demand	-	-	-	-	-	503,487	503,487
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	1,193,144	1,193,144
Derivatives liabilities	559,865	600,976	-	-	-	2,277,488	3,438,329
Debt issued and borrowings	18,519,655	14,290,570	7,907,834	8,290,000	-	-	49,008,059
Payable to clearing house house and broker - dealers	-	-	-	-	-	120,194	120,194
Securities and derivative business payables	-	-	-	-	-	5,297,794	5,297,794



	Consolidated						Total Thousand Baht
	2017						
	0 - 3 months Thousand Baht	Over 3 - 12 months Thousand Baht	Over 1 - 5 years Thousand Baht	Over 5 years Thousand Baht	Non- performing loans Thousand Baht	Non- interest bearing Thousand Baht	
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	-	2,180,438
Loans	54,836,068	31,509,262	89,934,904	4,126,718	10,835,902	863,904	192,106,758
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



	Separate						
	2018						
	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	22,803,796	216,199	-	-	-	2,246,035	25,266,030
Derivatives assets	480,223	188,034	-	-	-	2,493,370	3,161,627
Investments in securities, net	1,445,238	2,431,946	10,725,228	2,601,933	-	4,614,083	21,818,428
Investments in receivables, net	-	189,029	283,545	-	-	-	472,574
Loans	75,182,586	29,974,776	107,431,600	5,958,727	9,403,426	2,988,781	230,939,896

<b>Financial liabilities</b>							
Deposits	95,281,364	70,950,966	15,019,200	391,068	-	563,263	182,205,861
Interbank and money market items	10,235,917	409,000	1,016,003	83,382	-	1,594,382	13,338,684
Liabilities payables on demand	-	-	-	-	-	503,487	503,487
Derivatives liabilities	559,865	600,976	-	-	-	2,017,535	3,178,376
Debt issued and borrowings	18,519,655	12,425,900	7,907,834	8,290,000	-	-	47,143,389

	Separate						
	2017						
	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	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	-	6,147,952	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	863,904	194,936,508

<b>Financial liabilities</b>							
Deposits	69,662,063	39,791,083	23,166,739	150,773	-	507,586	133,278,244
Interbank and money market items	6,579,518	667,592	297,934	281,498	-	124,155	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





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

	Consolidated		
	2018		
	Average outstanding balances Thousand Baht	Interest and dividend income Thousand Baht	Average rate %
<b>Significant performing financial assets</b>			
Interbank and money market items, net	15,862,502	245,872	1.55
Investments in securities	37,309,633	457,542	1.23
Investments in receivables	1,894,886	292,342	15.43
Loans	212,082,128	15,276,875	7.20
	<u>267,149,149</u>	<u>16,272,631</u>	<u>6.09</u>
<b>Significant financial liabilities</b>			
Deposits	152,413,221	2,642,282	1.73
Interbank and money market items, net	9,890,946	155,354	1.57
Debt issued and borrowings	60,537,321	1,236,888	2.04
	<u>222,841,488</u>	<u>4,034,524</u>	<u>1.81</u>

	Consolidated		
	2017		
	Average outstanding balances Thousand Baht	Interest Thousand Baht	Average rate %
<b>Significant performing financial assets</b>			
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>
<b>Significant financial liabilities</b>			
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>



	Separate		
	2018		
	Average outstanding balances Thousand Baht	Interest and dividend income Thousand Baht	Average rate %
<b>Significant performing financial assets</b>			
Interbank and money market items, net	15,305,136	267,169	1.75
Investments in securities	20,044,206	399,283	1.99
Investments in receivables	1,065,567	79,792	7.49
Loans	215,014,045	15,442,859	7.18
	<u>251,428,954</u>	<u>16,189,103</u>	<u>6.44</u>
<b>Significant financial liabilities</b>			
Deposits	152,858,855	2,644,754	1.73
Interbank and money market items, net	9,838,422	141,996	1.44
Debt issued and borrowings	55,802,981	1,162,789	2.08
	<u>218,500,258</u>	<u>3,949,539</u>	<u>1.81</u>

	Separate		
	2017		
	Average outstanding balances Thousand Baht	Interest Thousand Baht	Average rate %
<b>Significant performing financial assets</b>			
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>
<b>Significant financial liabilities</b>			
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>



#### 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 2018 and 2017 are summarised as follows;



	Consolidated						
	2018						
	US Dollar Thousand Baht	Hong Kong Dollar Thousand Baht	Yen Thousand Baht	Yuan Thousand Baht	Vietnamese Dong Thousand Baht	Others Thousand Baht	Total Thousand Baht
Financial assets							
Interbank and money market							
items, net	1,594,048	11,600	1,004	5,758	38	22,785	1,635,233
Investments in securities, net	27,949	-	-	-	1,036,138	1,058,619	2,122,706
Loans to customers and							
accrued interest receivables	6,194,981	-	-	-	-	-	6,194,981
Account receivables from							
clearing house and broker - dealers	392,162	8,393	-	-	-	1	400,556
Securities and derivative							
business Receivables	3,205	-	-	-	-	-	3,205
Total financial assets	8,212,345	19,993	1,004	5,758	1,036,176	1,081,405	10,356,681
Financial liabilities							
Deposits	-	-	-	-	-	-	-
Interbank and money market							
items, net	2,271,486	-	-	-	-	-	2,271,486
Debt issued and borrowings	-	-	-	-	-	-	-
Account payable to clearing							
house and broker - dealers	3,792	-	-	-	-	-	3,792
Securities and derivative							
business Payables	1,360	-	-	-	-	-	1,360
Total financial liabilities	2,276,638	-	-	-	-	-	2,276,638
Foreign currency position of items							
recognized on the statements							
of financial position - net	5,935,707	19,993	1,004	5,758	1,036,176	1,081,405	8,080,043
Items not recognized off the							
statements of financial							
position - net (Forward							
exchange contracts and							
cross currency swaps)	(5,173,190)	4,251	29,308	(4,709)	-	(26,705)	(5,171,045)



	Consolidated						
	31 December 2017						
	US Dollar Thousand Baht	Hong Kong Dollar Thousand Baht	Yen Thousand Baht	Yuan Thousand Baht	Vietnamese Dong Thousand Baht	Others Thousand Baht	Total Thousand Baht
Financial assets							
Interbank and money market							
items, net business	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	2,713,667	8,727	508	9,942	1,274,701	1,054,827	5,062,372
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	3,365	-	-	-	-	-	3,365
Foreign currency position of items							
recognized on the statements							
of financial position - net	2,710,302	8,727	508	9,942	1,274,701	1,054,827	5,059,007
Items not recognized off the							
statements of financial							
position - net (Forward							
exchange contracts and							
cross currency swaps)	(2,521,749)	4,193	409	(2,045)	-	8,946	(2,510,246)



	Separate				
	2018				
	US Dollar Thousand Baht	Yen Thousand Baht	Yuan Thousand Baht	Others Thousand Baht	Total Thousand Baht
<b>Financial assets</b>					
Interbank and money market items, net	1,579,935	1,004	5,758	33,909	1,620,606
Investments in securities, net	-	-	-	-	-
Loans to customers and accrued interest receivables	6,194,981	-	-	-	6,194,981
Total financial assets	7,774,916	1,004	5,758	33,909	7,815,587
<b>Financial liabilities</b>					
Deposits	-	-	-	-	-
Interbank and money market items, net	2,271,486	-	-	-	2,271,486
Debt issued and borrowings	-	-	-	-	-
Total financial liabilities	2,271,486	-	-	-	2,271,486
Foreign currency position of items recognized on the statements of financial position, net	5,503,430	1,004	5,758	33,909	5,544,101
Items not recognized off the statements of financial position, net (Forward exchange contracts and cross currency swaps)	(4,719,108)	29,308	(4,709)	(22,454)	(4,716,963)



	Separate				
	2018				
	US Dollar Thousand Baht	Yen Thousand Baht	Yuan Thousand Baht	Others Thousand Baht	Total Thousand Baht
<b>Financial assets</b>					
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
<b>Financial liabilities</b>					
Deposits	-	-	-	-	-
Interbank and money market items, net	-	-	-	-	-
Debt issued and borrowings	-	-	-	-	-
Total financial liabilities	-	-	-	-	-
Foreign currency position of items recognized on the statements of financial position, net	2,187,560	508	9,942	1,573	2,199,583
Items not recognized off the statements of financial position, net (Forward exchange contracts and cross currency swaps)	(2,087,417)	409	(2,045)	13,140	(2,075,913)



#### 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 liquidity ratio under both Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) 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 Group analysed by relevant maturity groupings are as follows;

	Consolidated					
	2018					
	On demand Thousand Baht	Within 1 year Thousand Baht	Over 1 - 5 years Thousand Baht	Over 5 years Thousand Baht	No maturity Thousand Baht	Total Thousand Baht
Financial assets						
Cash	-	-	-	-	1,335,668	1,335,668
Interbank and money market items	5,913,204	21,718,842	594,913	-	5,834	28,232,793
Derivatives assets	-	2,473,278	775,491	67,089	-	3,315,858
Investments in securities, net	-	9,346,634	10,725,229	2,601,933	7,106,771	29,780,567
Investments in receivables, net	-	-	1,769,505	-	-	1,769,505
Hire-purchase receivables	35,834	3,339,967	79,264,803	31,435,622	-	114,076,226
Finance lease receivables	14,984	97,645	397,943	-	-	510,572
Loans and receivables	1,411,774	6,969,208	61,108,211	43,820,155	-	113,309,348
Accounts receivable from clearing house and broker - dealers	-	3,411,791	-	-	-	3,411,791
Securities and derivative business receivables	-	4,212,723	-	-	-	4,212,723
Total financial assets	7,375,796	51,570,088	154,636,095	77,924,799	8,448,273	299,955,051
Financial liabilities						
Deposits	69,698,896	96,584,657	15,019,200	391,068	-	181,693,821
Interbank and money market items	1,414,183	9,020,558	1,016,002	1,705,872	-	13,156,615
Liabilities payable on demand	503,487	-	-	-	-	503,487
Financial liabilities designated at fair value through profit or loss	-	1,193,144	-	-	-	1,193,144
Derivatives liabilities	-	2,488,179	839,800	110,350	-	3,438,329
Debt issued and borrowings	-	32,802,548	7,915,511	8,290,000	-	49,008,059
Accounts payable to clearing house and broker - dealers	-	120,194	-	-	-	120,194
Securities and derivative business payables	-	5,297,794	-	-	-	5,297,794
Total financial liabilities	71,616,566	147,507,074	24,790,513	10,497,290	-	254,411,443



	Consolidated					
	2017					
	On demand Thousand Baht	Within 1 year Thousand Baht	Over 1 - 5 years Thousand Baht	Over 5 years Thousand Baht	No maturity Thousand Baht	Total Thousand Baht
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



	Separate					
	2018					
	On demand Thousand Baht	Within 1 year Thousand Baht	Over 1 - 5 years Thousand Baht	Over 5 years Thousand Baht	No maturity Thousand Baht	Total Thousand Baht
Financial assets						
Cash	-	-	-	-	1,334,978	1,334,978
Interbank and money market items	2,965,602	21,718,842	594,913	-	-	25,279,357
Derivatives assets	-	2,319,047	775,491	67,089	-	3,161,627
Investments in securities, net	-	3,877,184	10,725,229	2,601,933	4,614,082	21,818,428
Investments in receivables, net	-	-	472,574	-	-	472,574
Hire-purchase receivables	35,834	3,339,967	79,264,803	31,435,622	-	114,076,226
Finance lease receivables	14,984	97,645	397,943	-	-	510,572
Loans and receivables	1,411,774	10,012,958	61,108,211	43,820,155	-	116,353,098
Total financial assets	4,428,194	41,365,643	153,339,164	77,924,799	5,949,060	283,006,860
Financial liabilities						
Deposits	70,210,936	96,584,657	15,019,200	391,068	-	182,205,861
Interbank and money market items	1,594,378	9,022,432	1,016,002	1,705,872	-	13,338,684
Liabilities payable on demand	503,487	-	-	-	-	503,487
Derivatives liabilities	-	2,228,226	839,800	110,350	-	3,178,376
Debt issued and borrowings	-	30,937,878	7,915,511	8,290,000	-	47,143,389
Total financial liabilities	72,308,801	138,773,193	24,790,513	10,497,290	-	246,369,797



	Separate					Total Thousand Baht
	2017					
	On demand Thousand Baht	Within 1 year Thousand Baht	Over 1 - 5 years Thousand Baht	Over 5 years Thousand Baht	No maturity Thousand Baht	
Financial assets						
Cash	-	-	-	-	1,423,405	1,423,405
Interbank and money market items	5,123,105	7,797,058	-	-	-	12,920,163
Derivatives assets	-	2,378,402	931,487	6,639	-	3,316,528
Investments in securities, net	-	4,830,054	8,292,723	420,146	6,148,374	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	7,049,835	32,772,789	130,807,408	54,857,753	7,571,779	233,059,564
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



#### 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 and movable foreclosed assets in accordance with the BOT's Notification.





## 5.5 Goodwill

Goodwill is tested for impairment using a fair value method of present value of dividend discount model on an annual basis.

## 5.6 Fair value of financial derivative instruments

In determining the fair value of financial derivative instruments the management has made judgement by using a variant of acceptable valuation techniques. The input parameter to the models used is taken from observable market, and includes consideration of maturity, interest rate, correlation and volatility, etc. The counterparty risk from derivative transactions is taken into account when reporting the fair value of derivative positions.

## 5.7 Provision for post-retirement benefits and pension fund

The Group has a commitment and provision of post-retirement benefits and pension funds for employee. The present value of employee benefit liabilities recognized in the statement of financial position is determined in the present value of estimated future cash outflows for staff. The assumption used in determining the net annual cost for employee benefits includes the salary and years of services of respective employees which are payable in the future and discount rate. Any charges in these assumptions will impact the net annual cost recorded for employee benefit.



## 6 Interbank and money market items, net (assets)

	Consolidated					
	2018			2017		
	On demand Thousand Baht	Term Thousand Baht	Total Thousand Baht	On demand Thousand Baht	Term Thousand Baht	Total Thousand Baht
<b>Domestic</b>						
The Bank of Thailand and FIDF	1,087,041	-	1,087,041	1,107,969	430,000	1,537,969
Commercial Banks	1,978,623	18,803,265	20,781,888	1,936,684	2,005,867	3,942,551
Special purpose financial institutions	1,301,451	2,800,000	4,101,451	1,304	4,550,000	4,551,304
Other financial institutions	720,000	-	720,000	600,000	-	600,000
Total	5,087,115	21,603,265	26,690,380	3,645,957	6,985,867	10,631,824
<u>Add</u> Accrued interest receivables	2,392	7,923	10,315	1,665	1,997	3,662
<u>Less</u> Allowance for doubtful accounts	(7,200)	(18,973)	(26,173)	(6,000)	(5,000)	(11,000)
Total domestic items	5,082,307	21,592,215	26,674,522	3,641,622	6,982,864	10,624,486
<b>Foreign</b>						
US Dollar	788,703	703,079	1,491,782	72,474	817,022	889,496
Euro	10,363	-	10,363	19	-	19
Other currencies	24,549	-	24,549	2,063	-	2,063
Total	823,615	703,079	1,526,694	74,556	817,022	891,578
<u>Add</u> Accrued interest receivables	-	5,404	5,404	-	2,933	2,933
<u>Less</u> Allowance for doubtful accounts	-	(7,031)	(7,031)	-	(8,170)	(8,170)
Total foreign items	823,615	701,452	1,525,067	74,556	811,785	886,341
Total	5,905,922	22,293,667	28,199,589	3,716,178	7,794,649	11,510,827



	Separate					
	2018			2017		
	On demand Thousand Baht	Term Thousand Baht	Total Thousand Baht	On demand Thousand Baht	Term Thousand Baht	Total Thousand Baht
<b>Domestic</b>						
The Bank of Thailand and FIDF	1,087,041	-	1,087,041	1,096,720	430,000	1,526,720
Commercial Banks	348,121	18,797,349	19,145,470	313,038	2,000,000	2,313,038
Special purpose financial institutions	1,451	2,800,000	2,801,451	1,304	4,550,000	4,551,304
Other financial institutions	720,000	-	720,000	3,650,000	-	3,650,000
Total	2,156,613	21,597,349	23,753,962	5,061,062	6,980,000	12,041,062
<u>Add</u> Accrued interest receivables	-	7,923	7,923	-	1,997	1,997
<u>Less</u> Allowance for doubtful accounts	(7,200)	(18,973)	(26,173)	(36,500)	(5,000)	(41,500)
Total domestic items	2,149,413	21,586,299	23,735,712	5,024,562	6,976,997	12,001,559
<b>Foreign</b>						
US Dollar	774,077	703,079	1,477,156	55,167	817,022	872,189
Euro	10,363	-	10,363	19	-	19
Other currencies	24,549	-	24,549	2,063	-	2,063
Total	808,989	703,079	1,512,068	57,249	817,022	874,271
<u>Add</u> Accrued interest receivables	-	5,404	5,404	-	2,933	2,933
<u>Less</u> Allowance for doubtful accounts	-	(7,031)	(7,031)	-	(8,170)	(8,170)
Total foreign items	808,989	701,452	1,510,441	57,249	811,785	869,034
Total	2,958,402	22,287,751	25,246,153	5,081,811	7,788,782	12,870,593



## 7 Derivatives

### 7.1 Derivatives

Derivatives for trading as at 31 December 2018 and 31 December 2017 are as follows;

Type of risk	Consolidated					
	2018			2017		
	Fair value		Notional amount	Fair value		Notional amount
	Assets Thousand Baht	Liabilities Thousand Baht		Assets Thousand Baht	Liabilities Thousand Baht	
Exchange rate	2,563,217	2,496,200	272,086,120	2,997,089	2,675,946	391,860,760
Interest rate	340,772	538,171	183,038,072	186,366	421,918	78,835,466
Equity price	325,155	347,643	10,111,442	61,437	1,144,907	8,195,925
Debt securities	26,526	33,077	4,630,355	47,406	60,971	4,630,354
Total	3,255,670	3,415,091	469,865,989	3,292,298	4,303,742	483,522,505

Type of risk	Separate					
	2018			2017		
	Fair value		Notional amount	Fair value		Notional amount
	Assets Thousand Baht	Liabilities Thousand Baht		Assets Thousand Baht	Liabilities Thousand Baht	
Exchange rate	2,572,154	2,496,435	272,531,950	2,997,094	2,712,456	392,331,779
Interest rate	340,772	538,171	183,038,072	186,366	421,918	78,835,466
Equity price	161,987	87,455	4,782,134	4,022	46,440	3,159,555
Debt securities	26,526	33,077	4,630,355	47,406	60,971	4,630,354
Total	3,101,439	3,155,138	464,982,511	3,234,888	3,241,785	478,957,154

As at 31 December 2018 and 2017, the proportion, determined based on the notional amount, of derivatives for trading transactions divided by type of counterparty are as follows;

	Consolidated	
	2018 %	2017 %
Financial institutions	81.39	95.86
Third parties	18.61	4.14
Total	100.00	100.00

	Separate	
	2018 %	2017 %
Financial institutions	82.20	96.77
Third parties	17.68	3.11
Subsidiaries	0.12	0.12
Total	100.00	100.00



## 7.2 Derivatives for hedging

Derivatives for hedging as at 31 December 2018 and 2017 are as follows:

Type Risk	Consolidated and Separate					
	2018			2017		
	Fair value		Notional amount	Fair value		Notional amount
	Assets Thousand Baht	Liabilities Thousand Baht		Assets Thousand Baht	Liabilities Thousand Baht	
Exchange rate	60,188	23,238	4,384,386	81,640	183	2,409,180
Total	60,188	23,238	4,384,386	81,640	183	2,409,180

## 8 Investments in securities, net

### 8.1 Classification of investments in securities

As at 31 December 2018 and 2017, the Group classifies their investments in securities as follows:

	Consolidated		Separate	
	Fair value		Fair value	
	2018 Thousand Baht	2017 Thousand Baht	2018 Thousand Baht	2017 Thousand Baht
<b>Trading securities</b>				
Government and state enterprise securities	1,435,172	1,472,286	1,435,172	1,472,286
Private sector's debt securities	426,877	888,591	426,877	888,591
Foreign debt securities	6,418	-	-	-
Domestic marketable equity securities	5,232,062	11,437,319	-	720,262
Foreign marketable equity securities	21,531	-	-	-
Total trading securities	7,122,060	13,798,196	1,862,049	3,081,139
<b>Securities designated at fair value through profit or loss*</b>				
Domestic marketable equity securities	2,691,213	2,270,842	2,691,213	2,270,842
Total securities designated at fair value through profit or loss	2,691,213	2,270,842	2,691,213	2,270,842
<b>Available-for-sale securities</b>				
Government and state enterprise securities	14,269,874	10,178,640	14,269,874	10,178,640
Private sector's debt securities	69,823	-	69,823	-
Domestic marketable equity securities	2,280,682	4,249,131	1,893,430	3,128,424
Foreign marketable equity securities	2,094,757	2,309,630	-	-
Total available-for-sale securities	18,715,136	16,737,401	16,233,127	13,307,064

\* 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	
	2018	2017	2018	2017
	Thousand	Thousand	Thousand	Thousand
	Baht	Baht	Baht	Baht
<b>Held-to-maturity debt securities</b>				
Government and state enterprise securities	1,226,988	1,217,919	1,002,599	1,003,406
Total held-to-maturity debt securities	1,226,988	1,217,919	1,002,599	1,003,406

	Consolidated		Separate	
	Cost		Cost	
	2018	2017	2018	2017
	Thousand	Thousand	Thousand	Thousand
	Baht	Baht	Baht	Baht
<b>General investments</b>				
Domestic non-marketable equity securities	53,524	52,482	32,793	32,185
<u>Less</u> Allowance for impairment	(28,354)	(28,377)	(3,353)	(3,339)
Total general investments	25,170	24,105	29,440	28,846
<b>Total investments in securities, net</b>	29,780,567	34,048,463	21,818,428	19,691,297



## 8.2 Investments in securities with holdings of 10% upwards

As at 31 December 2018 and 2017, 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			
2018			
Business type	Investment amount		Holding %
	at cost		
	Baht		
<u>Other companies</u>			
Rayongrungr Co., Ltd.	Real Estate	14,949,792	24.99
BOT Lease (Thailand) Co., Ltd.*	Leasing	3,085,200	10.00

Consolidated and Separate			
2017			
Business type	Investment amount		Holding %
	at cost		
	Baht		
<u>Other companies</u>			
Rayongrungr Co., Ltd.	Real Estate	14,949,792	24.99
BOT Lease (Thailand) Co., Ltd.*	Leasing	3,085,200	10.00

\* Formerly named as "BTMU Leasing (Thailand) Co., Ltd."

## 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 years ended 31 December 2018 and 2017 are as follow;

	Consolidated		Separate	
	2018 Thousand Baht	2017 Thousand Baht	2018 Thousand Baht	2017 Thousand Baht
Changes in value of available for sale investments	(723,301)	862,966	202,016	96,270
Realised gain from sale of available for sale investments transferred to profit or loss	(389,879)	(177,858)	(323,466)	(25,741)
	(1,113,180)	685,108	(121,450)	70,529



## 9 Investments in subsidiaries, net

As at 31 December 2018 and 2017, the Bank has investments in subsidiaries as follows;

		Separate					
		2018					
		Cost method					Dividend received and profit sharing
	Business type	Securities investment type	Cost Thousand Baht	Impairment Thousand Baht	Net balance Thousand Baht	Holding %	Thousand Baht
Phatra Capital PCL.	Holding Company	Ordinary shareholder	7,170,617	-	7,170,617	99.98	841,055
	Law office	Ordinary shareholder	999	-	999	99.96	-
Erawan Law Office Co., Ltd.	Investments*	Unit trust	192,037	(6,417)	185,620	99.95	7,996
Asia Recovery 1 Fund	Investments*	Unit trust	359,849	(42,380)	317,469	99.59	89,627
Asia Recovery 2 Fund	Investments*	Unit trust	588,600	-	588,600	99.97	1,585
Asia Recovery 3 Fund	Investments*	Unit trust	166,200	-	166,200	98.91	43,474
Thai Restructuring Fund	Investments*	Unit trust	1,801,113	(1,106,672)	694,441	95.72	300,634
Bangkok Capital Fund	Investments*	Unit trust	1,219,914	(441,195)	778,719	94.03	237,050
Gamma Capital Fund	Real estate	Ordinary shareholder	68,836	-	68,836	84.30	-
KKP Tower Co., Ltd.**			11,568,165	(1,596,664)	9,971,501		1,521,421

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

\*\* Formerly named as "CMIC Development Co., Ltd." and registered for company name changing on 9 May 2018





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

\*\* Formerly named as "CMIC Development Co., Ltd." and registered for company name changing on 9 May 2018.



### The addition of investment

During the year ended 31 December 2018, the Bank has purchased shares of KKP Tower Co., Ltd for 8.56 million shares in amount of Baht 68.84 million.

### 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 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 remaining funds are in the process of liquidation.

During the year ended 31 December 2018, 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 89.63 million. (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).

## 10 Investments in receivables, net

As at 31 December 2018 and 2017, 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			
	2018			
	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	300	2,096,886	152,253	63,274
15 December 1999	141	412,235	4,457	5,836
Receivables purchased				
January 2009 - December 2018	3	110,687	51,247	12,817
Receivables auctioned from LED	1,004	11,314,471	661,451	390,647
	1,448	13,934,279	869,408	472,574
<u>Subsidiaries (Fund)</u>	2,510	48,450,670	798,676	1,296,931
Total	3,958	62,384,949	1,668,084	1,769,505



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

## 11 Investment property, net

	Consolidated	
	2018 Thousand Baht	2017 Thousand Baht
Cost	26,629	218,826
<u>Less</u> Accumulated depreciation	(4,497)	(70,593)
Net book amount	22,132	148,233
Opening net book amount	148,233	851,094
Additions	5	2,545
Write-off	-	(16,539)
Transferred-in (out)	(125,608)	(684,763)
Depreciation	(498)	(4,104)
Closing net book amount	22,132	148,233
Fair value	68,000	284,635



The Group's investment properties were revalued at 31 December 2015 by independent professionally qualified valuers who hold a recognized 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 recognized in profit or loss that are related to investment property are as follows;

	Consolidated	
	2018 Thousand Baht	2017 Thousand Baht
Rental income	20,961	108,354
Direct operating expense arise from investment property that generated rental income	28,743	58,446

## 12 Loans to customers and accrued interest receivables, net

### 12.1 Classified by product

	Consolidated		Separate	
	2018 Thousand Baht	2017 Thousand Baht	2018 Thousand Baht	2017 Thousand Baht
<u>Loans</u>				
Overdrafts	1,039,292	977,044	1,039,292	977,044
Loans	112,254,830	81,117,812	115,298,580	83,947,562
Bills	50,000	45,555	50,000	45,555
Hire-purchase receivables	136,076,620	128,880,307	136,076,620	128,880,307
Finance lease receivables	561,442	721,008	561,442	721,008
Total loans	249,982,184	211,741,726	253,025,934	214,571,476
<u>Less</u> Deferred revenue	(22,086,038)	(19,634,968)	(22,086,038)	(19,634,968)
Total loans net of deferred revenue	227,896,146	192,106,758	230,939,896	194,936,508
<u>Add</u> Accrued interest receivables	1,170,011	980,205	1,178,080	986,717
Total loans and accrued interest receivables net				
of deferred revenue	229,066,157	193,086,963	232,117,976	195,923,225
<u>Less</u> Allowance for doubtful accounts				
1. Minimum allowance per BOT guideline				
- Individual Approach	(2,167,695)	(2,216,914)	(2,188,133)	(2,235,614)
- Collective Approach	(3,591,049)	(3,378,547)	(3,591,049)	(3,378,547)
2. Surplus reserve	(5,000,599)	(4,978,205)	(5,000,599)	(4,978,205)
<u>Less</u> Allowance for troubled debt restructuring	(432)	(2,294)	(432)	(2,294)
Net loans to customers and accrued interest receivables	218,306,382	182,511,003	221,337,763	185,328,565



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	
	2018 Thousand Baht	2017 Thousand Baht	2018 Thousand Baht	2017 Thousand Baht
<b>Domestic</b>				
Baht	219,711,315	188,621,252	222,755,065	191,451,002
US Dollar	3,463,929	162,277	3,463,929	162,277
<b>Foreign</b>				
Baht	2,017,039	2,017,169	2,017,039	2,017,169
US Dollar	2,703,863	1,306,060	2,703,863	1,306,060
<b>Total loans</b>	<b>227,896,146</b>	<b>192,106,758</b>	<b>230,939,896</b>	<b>194,936,508</b>



## 12.3 Classified by business type and loans classification

	Consolidated						Separate					
	31 December 2018						31 December 2018					
	Normal Thousand Baht	Special mention Thousand Baht	Substandard Thousand Baht	Doubtful Thousand Baht	Total Thousand Baht		Normal Thousand Baht	Special mention Thousand Baht	Substandard Thousand Baht	Doubtful Thousand Baht	Doubtful loss Thousand Baht	Total Thousand Baht
Agriculture and mining	259,645	1,341	-	-	260,986		259,645	1,341	-	-	-	260,986
Manufacturing and commerce	17,054,608	325,491	142,557	224,580	18,495,488		17,054,608	325,491	142,557	224,580	748,252	18,495,488
Property development												
and construction	32,060,181	924,488	2,507,392	182,108	38,106,953		33,333,931	924,488	2,507,392	182,108	2,432,784	39,380,703
Public utilities and services	15,188,838	357,683	22,803	29,399	15,659,346		15,188,838	357,683	22,803	29,399	60,623	15,659,346
Housing loans	16,566,808	73,123	43,352	61,736	16,899,099		16,566,808	73,123	43,352	61,736	154,080	16,899,099
Hire-purchase loans	101,379,639	10,208,380	1,077,382	879,931	114,076,226		101,379,639	10,208,380	1,077,382	879,931	530,894	114,076,226
Leasing loans	405,148	24,324	50,902	3,091	510,572		405,148	24,324	50,902	3,091	27,107	510,572
Others	23,382,082	280,941	181,022	19,722	23,887,476		25,152,082	280,941	181,022	19,722	23,709	25,657,476
Total loans	206,296,949	12,195,771	4,025,410	1,400,567	227,896,146		209,340,699	12,195,771	4,025,410	1,400,567	3,977,449	230,939,896
Accrued interest receivables	959,980	210,031	-	-	1,170,011		968,049	210,031	-	-	-	1,178,080
Total	207,256,929	12,405,802	4,025,410	1,400,567	229,066,157		210,308,748	12,405,802	4,025,410	1,400,567	3,977,449	232,117,976



	Consolidated						Separate					
	31 December 2017						31 December 2017					
	Normal Thousand Baht	Special mention Thousand Baht	Substandard Thousand Baht	Doubtful Thousand Baht	Doubtful loss Thousand Baht	Total Thousand Baht	Normal Thousand Baht	Special mention Thousand Baht	Substandard Thousand Baht	Doubtful Thousand Baht	Doubtful loss Thousand Baht	Total Thousand Baht
Agriculture and mining	397,837	-	-	-	8,568	406,405	397,837	-	-	-	8,568	406,405
Manufacturing and commerce	8,832,267	265,080	305,047	332,571	462,271	10,197,236	8,832,267	265,080	305,047	332,571	462,271	10,197,236
Property development												
and construction	22,184,945	1,165,227	1,233,766	480,686	3,975,071	29,039,695	23,144,695	1,165,227	1,233,766	480,686	3,975,071	29,999,445
Public utilities and services	9,787,082	263,550	6,278	21,008	58,299	10,136,217	9,787,082	263,550	6,278	21,008	58,299	10,136,217
Housing loans	10,089,897	68,038	42,041	59,145	55,080	10,314,201	10,089,897	68,038	42,041	59,145	55,080	10,314,201
Hire-purchase loans	96,449,582	10,607,665	1,027,676	813,360	438,162	109,336,445	96,449,582	10,607,665	1,027,676	813,360	438,162	109,336,445
Leasing loans	549,330	15,724	54,749	10,194	31,658	661,655	549,330	15,724	54,749	10,194	31,658	661,655
Others	21,551,356	231,692	170,388	15,570	45,898	22,014,904	23,421,356	231,692	170,388	15,570	45,898	23,884,904
Total loans	169,842,296	12,616,976	2,839,945	1,732,534	5,075,007	192,106,758	172,672,046	12,616,976	2,839,945	1,732,534	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	1,732,534	5,075,007	193,086,963	173,464,266	12,811,473	2,839,945	1,732,534	5,075,007	195,923,225



## 12.4 Classification by loans classification

Loans classification	Consolidated			
	2018			
	Loans outstanding and interest receivables Thousand Baht	Net balance used for allowance Thousand Baht	Rate used for allowance %	Allowance for doubtful accounts Thousand Baht
<b>Normal</b>				
Loans <sup>(1)</sup>	105,341,277	37,253,802	1.00	372,538
Other hire-purchase receivables <sup>(2)</sup>	6,093,001	3,778,206	1.00	37,782
Hire-purchase receivables	95,822,651	95,314,130	1.64	1,565,994
<b>Special mention</b>				
Loans <sup>(1)</sup>	2,019,667	396,496	2.00	7,922
Other hire-purchase receivables <sup>(2)</sup>	56,059	48,675	2.00	974
Hire-purchase receivables	10,330,076	10,153,165	11.39	1,156,348
<b>Substandard</b>				
Loans	2,948,028	822,549	100.00	822,549
Other hire-purchase receivables <sup>(2)</sup>	15,498	13,408	100.00	13,408
Hire-purchase receivables	1,061,884	1,061,884	35.60	378,073
<b>Doubtful</b>				
Loans	520,636	143,512	100.00	143,512
Other hire-purchase receivables <sup>(2)</sup>	19,226	15,224	100.00	15,224
Hire-purchase receivables	860,705	860,705	35.80	308,090
<b>Doubtful loss</b>				
Loans	3,446,555	743,313	100.00	743,313
Other hire-purchase receivables <sup>(2)</sup>	10,473	10,473	100.00	10,473
Hire-purchase receivables	520,421	520,423	35.08	182,544
Total loans and accrued interest receivables	229,066,157	151,135,965		5,758,744
Additional allowance for some doubtful accounts				500,599
General reserve				4,500,000
Total				10,759,343

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

<sup>(2)</sup> Hire-purchase receivables - fleet, car 3x and motorbike





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
<b>Normal</b>				
Loans <sup>(1)</sup>	73,690,982	28,994,094	1.00	289,941
Other hire-purchase receivables <sup>(2)</sup>	5,277,447	3,304,054	1.00	33,040
Hire-purchase receivables	91,659,575	91,193,885	1.58	1,438,266
<b>Special mention</b>				
Loans <sup>(1)</sup>	2,032,917	353,602	2.00	7,072
Other hire-purchase receivables <sup>(2)</sup>	116,352	87,493	2.00	1,750
Hire-purchase receivables	10,662,204	10,492,744	11.14	1,168,508
<b>Substandard</b>				
Loans	1,812,269	435,199	100.00	435,199
Other hire-purchase receivables <sup>(2)</sup>	38,944	26,474	100.00	26,474
Hire-purchase receivables	988,732	988,732	34.72	343,332
<b>Doubtful</b>				
Loans	919,174	200,548	100.00	200,548
Other hire-purchase receivables <sup>(2)</sup>	16,300	16,300	100.00	16,300
Hire-purchase receivables	797,060	797,059	34.76	277,036
<b>Doubtful loss</b>				
Loans	4,636,845	1,205,340	100.00	1,205,340
Other hire-purchase receivables <sup>(2)</sup>	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

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

<sup>(2)</sup> Hire-purchase receivables - fleet, car 3x and motorbike



Loans classification	Separate			
	2018			
	Loans outstanding and interest receivables Thousand Baht	Net balance used for allowance Thousand Baht	Rate used for allowance %	Allowance for doubtful accounts Thousand Baht
<b>Normal</b>				
Loans <sup>(1)</sup>	108,393,096	39,297,552	1.00	392,976
Other hire-purchase receivables <sup>(2)</sup>	6,093,001	3,778,206	1.00	37,782
Hire-purchase receivables	95,822,651	95,314,130	1.64	1,565,994
<b>Special mention</b>				
Loans <sup>(1)</sup>	2,019,667	396,496	2.00	7,922
Other hire-purchase receivables <sup>(2)</sup>	56,059	48,675	2.00	974
Hire-purchase receivables	10,330,076	10,153,165	11.39	1,156,348
<b>Substandard</b>				
Loans	2,948,028	822,549	100.00	822,549
Other hire-purchase receivables <sup>(2)</sup>	15,498	13,408	100.00	13,408
Hire-purchase receivables	1,061,884	1,061,884	35.60	378,073
<b>Doubtful</b>				
Loans	520,636	143,512	100.00	143,512
Other hire-purchase receivables <sup>(2)</sup>	19,226	15,224	100.00	15,224
Hire-purchase receivables	860,705	860,705	35.80	308,090
<b>Doubtful loss</b>				
Loans	3,446,555	743,313	100.00	743,313
Other hire-purchase receivables <sup>(2)</sup>	10,473	10,473	100.00	10,473
Hire-purchase receivables	520,421	520,423	35.08	182,544
Total loans and accrued interest receivables	232,117,976	153,179,715		5,779,182
Additional allowance for some doubtful accounts				500,599
General reserve				4,500,000
Total				10,779,781

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

<sup>(2)</sup> Hire-purchase receivables - fleet, car 3x and motorbik



Loans classification	Separate			
	31 December 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
<b>Normal</b>				
Loans <sup>(1)</sup>	76,527,244	30,864,094	1.00	308,641
Other hire-purchase receivables <sup>(2)</sup>	5,277,447	3,304,054	1.00	33,040
Hire-purchase receivables	91,659,575	91,193,885	1.58	1,438,266
<b>Special mention</b>				
Loans <sup>(1)</sup>	2,032,917	353,602	2.00	7,072
Other hire-purchase receivables <sup>(2)</sup>	116,352	87,493	2.00	1,750
Hire-purchase receivables	10,662,204	10,492,744	11.14	1,168,508
<b>Substandard</b>				
Loans	1,812,269	435,199	100.00	435,199
Other hire-purchase receivables <sup>(2)</sup>	38,944	26,474	100.00	26,474
Hire-purchase receivables	988,732	988,732	34.72	343,332
<b>Doubtful</b>				
Loans	919,174	200,548	100.00	200,548
Other hire-purchase receivables <sup>(2)</sup>	16,300	16,300	100.00	16,300
Hire-purchase receivables	797,060	797,059	34.76	277,036
<b>Doubtful loss</b>				
Loans	4,636,845	1,205,340	100.00	1,205,340
Other hire-purchase receivables <sup>(2)</sup>	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

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

<sup>(2)</sup> 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	
	2018	2017	2018	2017
	Thousand	Thousand	Thousand	Thousand
	Baht	Baht	Baht	Baht
Non-performing loans (excluding accrued interest receivables)	9,403,426	9,647,486	9,403,426	9,647,486
Percentage of non-performing loans to total loans				
(including loans to financial institutions)	3.75	4.82	3.70	4.68
Non-performing loans net of allowance for doubtful accounts (excluding accrued interest receivables)	6,438,697	6,664,762	6,438,697	6,664,762
Percentage of non-performing loans net of allowance for doubtful accounts to total loans net of allowance for doubtful accounts (including loans to financial institutions)	2.60	3.38	2.57	3.28
Percentage of non-performing loans to the total of each type of loans				
- Loans	6.08	8.90	5.92	8.61
- Hire-purchase receivables	2.18	2.08	2.18	2.08

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

	Consolidated and Separate			
	2018		2017	
	Principal	Interest	Principal	Interest
	Thousand	receivables	Thousand	receivables
	Baht	Thousand	Baht	Thousand
	Baht	Baht	Baht	Baht
Loans and bills receivables	6,915,219	-	7,368,288	-
Hire-purchase receivables	2,488,207	-	2,279,198	-
Total loans from which recognition of income has been discontinued	9,403,426	-	9,647,486	-



## 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			
	2018			
	Amount due under lease agreements			
	Less than 1 year Thousand Baht	Within 1 - 5 years Thousand Baht	Over 5 years Thousand Baht	Total Thousand Baht
Gross investment in the agreements	3,498,622	92,419,428	40,720,012	136,638,062
<u>Less</u> Unearned income*				(22,051,264)
Present value of minimum lease payment				
per agreement				114,586,798
<u>Less</u> Allowance for doubtful accounts				(3,734,712)
Hire-purchase and finance lease receivables, net				110,852,086

	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

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



## 14 Allowance for doubtful accounts

	Consolidated						
	2018						
	Normal Thousand Baht	Special mention Thousand Baht	Substandard Thousand Baht	Doubtful Thousand Baht	Doubtful loss Thousand Baht	General reserve Thousand Baht	Total Thousand Baht
At beginning of year	1,900,663	1,190,279	841,571	511,207	1,629,946	4,500,000	10,573,666
<u>Add</u> Doubtful accounts (reversal)	220,656	(16,985)	470,518	(40,527)	1,851,647	-	2,485,309
<u>Less</u> Bad debt written-off	-	-	-	-	(2,299,632)	-	(2,299,632)
At end of year	2,121,319	1,173,294	1,312,089	470,680	1,181,961	4,500,000	10,759,343

	Consolidated						
	2017						
	Normal Thousand Baht	Special mention Thousand Baht	Substandard Thousand Baht	Doubtful Thousand Baht	Doubtful loss Thousand Baht	General reserve Thousand Baht	Total Thousand Baht
At beginning of year	1,858,590	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

	Separate						
	2018						
	Normal	Special	Substandard	Doubtful	Doubtful	General	Total
	Thousand	mention	Thousand	Thousand	loss	reserve	
	Thousand	Thousand	Thousand	Thousand	Thousand	Thousand	Thousand
	Baht	Baht	Baht	Baht	Baht	Baht	Baht
At beginning of year	1,919,363	1,190,279	841,571	511,207	1,629,946	4,500,000	10,592,366
<u>Add</u> Doubtful accounts (reversal)	222,394	(16,985)	470,518	(40,527)	1,851,647	-	2,487,047
<u>Less</u> Bad debt written-off	-	-	-	-	(2,299,632)	-	(2,299,632)
At end of year	2,141,757	1,173,294	1,312,089	470,680	1,181,961	4,500,000	10,779,781

	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



## 15 Troubled debt restructuring

As at 31 December 2018, 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 2018	68	1,327,912	191,411
Restructured during the year ended 31 December 2018	3	11,683	240

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			
	2018		2017	
	Number of loans	Outstanding balance before restructuring Thousand Baht	Number of loans	Outstanding balance before restructuring Thousand Baht
Restructured debts	3	11,683	2	8,369
Total customers	452,184	231,642,975	450,635	195,646,434

Details of the restructured debts for the years ended 31 December 2018 and 2017, classified into the restructuring methods are as follows;

Restructuring method	Consolidated and Separate					
	2018					
	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
Debt restructuring in various forms	1	8,060	240	Machine	1,000	615
Modifications of terms of receivables	2	3,623	-		-	1,223
Total	3	11,683	240		1,000	1,838



Consolidated and Separate						
2017						
Restructuring method	Outstanding balance			Assets transferred		
	Number of loans	Before restructuring	After restructuring	Type of assets	Fair value of assets	Loss from restructuring
		Thousand Baht	Thousand Baht		Thousand Baht	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

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

Consolidated and Separate						
Year of debts restructuring contracts	2018			2017		
	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	2	98,731	18,496	1	90,671	26,451
Total	2	98,731	18,496	1	90,671	26,451

Supplemental information relating to the restructured debts for the years ended 31 December 2018 and 2017 are as follows;

	Consolidated and Separate	
	2018	2017
	Thousand Baht	Thousand Baht
Loss on debt restructuring	1,838	3,658
Interest income	11,943	3,033





## 16 Allowance for troubled debt restructuring

	Consolidated and Separate	
	2018	2017
	Thousand	Thousand
	Baht	Baht
At beginning of year	2,294	1,135
<u>Less</u> Decreased during year	(1,862)	1,159
At end of year	432	2,294

## 17 Properties foreclosed, net

	Consolidated		Separate	
	2018	2017	2018	2017
	Thousand	Thousand	Thousand	Thousand
	Baht	Baht	Baht	Baht
Properties foreclosed	5,731,534	5,856,875	7,210,590	7,545,235
<u>Less</u> Provision for diminution in value	(2,006,612)	(1,762,383)	(2,004,970)	(1,760,818)
Net properties foreclosed	3,724,922	4,094,492	5,205,620	5,784,417

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

	Consolidated		
	2018		
	Immovable assets	Movable assets	Total
	Thousand	Thousand	Thousand
	Baht	Baht	Baht
At beginning of year	5,505,804	351,071	5,856,875
Additions	462,104	3,898,272	4,360,376
Disposals	(712,218)	(3,773,499)	(4,485,717)
At end of year	5,255,690	475,844	5,731,534
<u>Less</u> Provision for diminution in value	(1,927,131)	(79,481)	(2,006,612)
Net properties foreclosed	3,328,559	396,363	3,724,922



	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

	Separate		
	2018		
	Immovable assets Thousand Baht	Movable assets Thousand Baht	Total Thousand Baht
At beginning of year	7,194,164	351,071	7,545,235
Additions	488,637	3,898,272	4,386,909
Disposals	(948,055)	(3,773,499)	(4,721,554)
At end of year	6,734,746	475,844	7,210,590
<u>Less</u> Provision for diminution in value	(1,925,489)	(79,481)	(2,004,970)
Net properties foreclosed	4,809,257	396,363	5,205,620

	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



Immovable properties foreclosed classified by external and internal appraisers as at 31 December 2018 and 2017 are as follows;

	Consolidated		Separate	
	2018	2017	2018	2017
	Thousand	Thousand	Thousand	Thousand
	Baht	Baht	Baht	Baht
Immovable properties foreclosed				
Appraised by external appraisers	5,229,230	5,433,100	6,708,286	7,121,460
Appraised by internal appraisers	26,460	72,704	26,460	72,704
Total	5,255,690	5,505,804	6,734,746	7,194,164

## 18 Land, premises and equipment, net

	Consolidated							
	2018							
	Cost				Accumulated depreciation			
	Beginning Balance Thousand Baht	Additions Thousand Baht	Disposals/ Transfers Thousand Baht	Ending Balance Thousand Baht	Beginning Balance Thousand Baht	Additions Thousand Baht	Disposals/ Transfers Thousand Baht	Ending Balance Thousand Baht
Land	523,403	33,967	-	557,370	-	-	-	-
Premises and building and building improvement	2,727,255	214,470	(102,740)	2,838,985	(1,305,361)	(285,968)	91,210	(1,500,119)
Equipment	1,475,232	201,108	(239,199)	1,437,141	(1,100,479)	(139,675)	237,495	(1,002,659)
Furniture and fixtures	946,665	78,066	(107,028)	917,703	(674,452)	(87,013)	103,207	(658,258)
Vehicles	331,572	67,310	(76,898)	321,984	(222,997)	(41,176)	76,661	(187,512)
Work in progress	43,327	109,643	(105,091)	47,879	-	-	-	-
Total	6,047,454	704,564	(630,956)	6,121,062	(3,303,289)	(553,832)	508,573	(3,348,548)

	Consolidated							
	2017							
	Cost				Accumulated depreciation			
	Beginning Balance Thousand Baht	Additions Thousand Baht	Disposals/ Transfers Thousand Baht	Ending Balance Thousand Baht	Beginning Balance Thousand Baht	Additions Thousand Baht	Disposals/ Transfers Thousand Baht	Ending Balance Thousand Baht
Land	344,304	179,099	-	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)
Equipment	1,380,762	137,913	(43,443)	1,475,232	(1,015,358)	(128,499)	43,378	(1,100,479)
Furniture and fixtures	879,195	69,271	(1,801)	946,665	(593,446)	(82,805)	1,799	(674,452)
Vehicles	338,325	65,130	(71,883)	331,572	(249,506)	(44,306)	70,815	(222,997)
Work in progress	5,426	79,486	(41,585)	43,327	-	-	-	-
Total	4,864,276	1,395,828	(212,650)	6,047,454	(2,772,477)	(679,578)	148,766	(3,303,289)



	Separate								
	2018								
	Cost				Accumulated depreciation				Land, Premises and Equipment, net Thousand Baht
	Beginning Balance Thousand Baht	Additions Thousand Baht	Disposals/ Transfers Thousand Baht	Ending Balance Thousand Baht	Beginning Balance Thousand Baht	Additions Thousand Baht	Disposals/ Transfers Thousand Baht	Ending Balance Thousand Baht	
Land	94,968	-	-	94,968	-	-	-	-	94,968
Premises and building	76,552	49,419	-	125,971	(56,379)	(4,458)	-	(60,837)	65,134
Equipment	1,224,898	138,408	(199,606)	1,163,700	(900,028)	(107,325)	199,217	(808,136)	355,564
Furniture and fixtures	861,912	73,366	(106,897)	828,381	(607,346)	(78,430)	103,076	(582,700)	245,681
Vehicles	306,774	66,045	(76,898)	295,921	(205,850)	(38,377)	76,661	(167,566)	128,355
Work in progress	35,773	70,643	(99,400)	7,016	-	-	-	-	7,016
Total	2,600,877	397,881	(482,801)	2,515,957	(1,769,603)	(228,590)	378,954	(1,619,239)	896,718

	Separate								
	2017								
	Cost				Accumulated depreciation				Land, Premises and Equipment, net Thousand Baht
	Beginning		Disposals/	Ending	Beginning		Disposals/	Ending	
	Balance	Additions	Transfers	Balance	Balance	Additions	Transfers	Balance	
Thousand	Thousand	Thousand	Thousand	Thousand	Thousand	Thousand	Thousand		
Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	
Land	94,968	-	-	94,968	-	-	-	-	94,968
Premises and buildingand	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

## 19 Other intangible assets, net and goodwill

### 19.1 Other intangible assets, net

	Consolidated								
	2018								
	Cost				Accumulated depreciation				Other Intangible Assets, net  Thousand Baht
	Beginning Balance		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	
Software	1,509,264	532,467	(534)	2,041,197	(857,717)	(123,933)	534	(981,116)	1,060,081
License fee	500	6,188	-	6,688	(379)	(1,923)	-	(2,302)	4,386
Work in progress	144,093	271,287	(361,958)	53,422	-	-	-	-	53,422
Total	1,653,857	809,942	(362,492)	2,101,307	(858,096)	(125,856)	534	(983,418)	1,117,889



	Consolidated								
	2017								
	Cost				Accumulated depreciation				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	
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

	Separate								
	2018								
	Cost				Accumulated depreciation				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	
Software	1,257,069	506,086	-	1,763,155	(661,968)	(98,464)	-	(760,432)	1,002,723
Work in progress	139,261	256,654	(347,559)	48,356	-	-	-	-	48,356
Total	1,396,330	762,740	(347,559)	1,811,511	(661,968)	(98,464)	-	(760,432)	1,051,079

	Separate								
	2017								
	Cost				Accumulated depreciation				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	
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

## 19.2 Goodwill

	Consolidated			
	2018			
	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			
	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

Goodwill arised from the Capital Market segment which was identified as the cash-generating unit (CGU).

The recoverable amount of this CGU is determined by the Dividend Discount Model. This calculation used the dividend received projection based on financial budgets covering a ten-year period which are referred from the past operating results together with the estimated growth rates of market and the subsidiaries which management believes that ten years period can reflect their business plan. Dividend beyond the ten-year extrapolation uses the estimated dividend growth rate of 4% (31 December 2017: 4%) and the discount rate of 12% per annum (31 December 2017: 12%).

The recoverable amount using this Dividend Discount Model is greater than the book value amount of million 843 baht (31 December 2017: Baht 892 million). A reduction in dividend growth rate to 2.67% (31 December 2017: 2.68%) or a rise in discount rate to 12.71% (31 December 2017: 12.72%) would remove the remaining headroom.

## 20 Deferred income tax, net

Deferred tax assets and deferred tax liabilities as at 31 December 2018 and 2017 are as follows;

	Consolidated		Separate	
	2018 Thousand Baht	2017 Thousand Baht	2018 Thousand Baht	2017 Thousand Baht
Deferred tax assets	1,861,740	1,703,440	1,689,388	1,697,491
Deferred tax liabilities	(20,457)	(160,138)	-	-
Deferred income tax, net	1,841,283	1,543,302	1,689,388	1,697,491



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

	Consolidated			
	Balance as at	Items as	Items as	Balance as at
	1 January	recognized	recognized	31 December
	2018	into	into other	2018
	Thousand	profit or	comprehensive	Thousand
	Baht	loss	income	Baht
		Thousand	Thousand	Thousand
		Baht	Baht	Baht
<b>Deferred tax assets</b>				
Allowance for doubtful accounts	904,322	(130)	-	904,192
Allowance for impairment of investments	393,662	36,790	-	430,452
Allowance for impairment of properties foreclosed	353,611	48,627	-	402,238
Provisions	238,854	(85,104)	(680)	153,070
Income received in advance	190,418	8,703	-	199,121
Non-accrued interest income	58,660	2,690	-	61,350
Depreciation of assets	32	18,888	-	18,920
Loss on remeasuring available-for-sale securities	-	13,389	76,916	90,305
Unrealised gain on remeasuring securities				
borrowing and lending	5,039	54,185	-	59,224
Unused tax losses	-	6,641	-	6,641
Unrealised loss on remeasuring derivatives	19,694	-	-	19,694
Others	9,469	(535)	-	8,934
<b>Total</b>	<b>2,173,761</b>	<b>104,144</b>	<b>76,236</b>	<b>2,354,141</b>
<b>Deferred tax liabilities</b>				
Premise appraisal surplus	23,903	(3,446)	-	20,457
Prepaid hire-purchase commission	245,521	27,524	-	273,045
Gain on remeasuring available-for-sale securities	241,011	-	(140,717)	100,294
Unrealised gain on remeasuring trading securities	73,119	(44,895)	-	28,224
Unrealised gain on remeasuring securities				
borrowing and lending	2,509	2,530	-	5,039
Unrealised gain on remeasuring derivatives	16,248	36,866	-	53,114
Others	28,148	4,537	-	32,685
<b>Total</b>	<b>630,459</b>	<b>23,116</b>	<b>(140,717)</b>	<b>512,858</b>
<b>Deferred income tax, net</b>	<b>1,543,302</b>	<b>81,028</b>	<b>216,953</b>	<b>1,841,283</b>



	Consolidated			
	Balance as at	Items as	Items as	Balance as at
	1 January	recognized	recognized	31 December
	2017	into	into other	2017
	Thousand	profit or	comprehensive	Thousand
	Baht	loss	income	Baht
		Thousand	Thousand	
		Baht	Baht	
<b>Deferred tax assets</b>				
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
<b>Total</b>	<b>2,152,416</b>	<b>12,049</b>	<b>9,296</b>	<b>2,173,761</b>
<b>Deferred tax liabilities</b>				
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
<b>Total</b>	<b>526,095</b>	<b>(30,499)</b>	<b>134,863</b>	<b>630,459</b>
<b>Deferred income tax, net</b>	<b>1,626,321</b>	<b>42,548</b>	<b>(125,567)</b>	<b>1,543,302</b>





	Separate		
	Balance as at 1 January 2018 Thousand Baht	Items as recognized into profit or loss Thousand Baht	Items as recognized into other comprehensive income Thousand Baht
<b>Deferred tax assets</b>			
Allowance for doubtful accounts	904,322	(130)	-
Allowance for impairment of investments	392,196	36,789	-
Allowance for impairment of properties foreclosed	352,164	48,830	-
Provisions	204,983	(95,405)	(412)
Income received in advance	187,678	8,842	-
Non-accrued interest income	58,660	2,691	-
Others	7,464	(342)	-
<b>Total</b>	<b>2,107,467</b>	<b>1,275</b>	<b>(412)</b>
<b>Deferred tax liabilities</b>			
Prepaid hire-purchase commission	245,521	27,523	-
Gain on remeasuring available-for-sale securities	119,935	-	(19,641)
Others	44,520	1,084	-
<b>Total</b>	<b>409,976</b>	<b>28,607</b>	<b>(19,641)</b>
<b>Deferred income tax, net</b>	<b>1,697,491</b>	<b>(27,332)</b>	<b>19,229</b>



	Separate		
	Balance as at 1 January 2017 Thousand Baht	Items as recognized into profit or loss Thousand Baht	Items as recognized into other comprehensive income Thousand Baht
<b>Deferred tax assets</b>			
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)	-
<b>Total</b>	<b>2,096,803</b>	<b>7,423</b>	<b>3,241</b>
<b>Deferred tax liabilities</b>			
Prepaid hire-purchase commission	270,647	(25,126)	-
Gain on remeasuring available-for-sale securities	104,326	-	15,609
Others	48,172	(3,652)	-
<b>Total</b>	<b>423,145</b>	<b>(28,778)</b>	<b>15,609</b>
<b>Deferred income tax, net</b>	<b>1,673,658</b>	<b>36,201</b>	<b>(12,368)</b>

Accordingly the Group used a tax rate of 20% for calculation of deferred income tax for the years ended 31 December 2018 and 2017.



## 21 Other assets, net

	Consolidated		Separate	
	2018 Thousand Baht	2017 Thousand Baht	2018 Thousand Baht	2017 Thousand Baht
Interest and dividend income receivables	96,218	109,737	64,070	92,257
Other income receivables	204,261	251,141	76,149	18,941
Prepaid expenses and deferred expenses	245,500	224,043	216,241	195,945
Prepaid output tax for hire-purchase receivables*	74,172	80,872	74,172	80,872
Other receivables, net*	1,589,694	630,962	1,836,138	577,261
Receivables from trading securities	216,131	1,114,971	221,121	1,114,971
Refundable deposit	86,634	77,418	121,518	111,197
Withholding income tax	12,584	5,747	-	-
Input VAT - pending tax invoice	245,080	195,752	227,689	195,096
Prepayment for leasehold right	45,140	47,411	58,143	61,111
Others*	616,769	271,902	55,843	39,139
Total other assets	3,432,183	3,009,956	2,951,084	2,486,790

\* As at 31 December 2018 these transactions are shown net of total doubtful accounts of Baht 18.30 million in the consolidated and the separate financial statements (31 December 2017: Baht 18.58 million).

## 22 Deposits

### 22.1 Classified by type of deposit

	Consolidated		Separate	
	2018 Thousand Baht	2017 Thousand Baht	2018 Thousand Baht	2017 Thousand Baht
Current accounts	352,967	414,598	750,329	705,560
Savings accounts	69,345,929	53,472,240	69,460,607	53,581,416
Term deposits	111,396,122	78,238,356	111,396,122	78,238,356
NCD	598,803	752,912	598,803	752,912
Total	181,693,821	132,878,106	182,205,861	133,278,244



## 22.2 Classified by currency and residence of depositors

	Consolidated					
	2018			2017		
	Domestic	Foreign	Total	Domestic	Foreign	Total
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Thai Baht	180,663,870	1,029,951	181,693,821	132,151,841	726,265	132,878,106
Total	180,663,870	1,029,951	181,693,821	132,151,841	726,265	132,878,106

	Separate					
	2018			2017		
	Domestic	Foreign	Total	Domestic	Foreign	Total
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Thai Baht	181,175,910	1,029,951	182,205,861	132,551,979	726,265	133,278,244
Total	181,175,910	1,029,951	182,205,861	132,551,979	726,265	133,278,244

## 23 Interbank and money market items, net (liabilities)

	Consolidated					
	2018			2017		
	On demand	Term	Total	On demand	Term	Total
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
<b>Domestic</b>						
Bank of Thailand and Financial Institution Development Fund	-	200,000	200,000	-	324,769	324,769
Commercial banks	-	4,048,996	4,048,996	370,000	2,990,000	3,360,000
Specific Financial Institution	-	5,314,589	5,314,589	-	3,644,812	3,644,812
Other financial institutions	1,412,308	558,232	1,970,540	193,553	766,589	960,142
	1,412,308	10,121,817	11,534,125	563,553	7,726,170	8,289,723
<b>Foreign</b>						
USD	-	1,622,490	1,622,490	-	-	-
Total	1,412,308	11,744,307	13,156,615	563,553	7,726,170	8,289,723



	Separate					
	2018			2017		
	On demand	Term	Total	On demand	Term	Total
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
<b>Domestic</b>						
Bank of Thailand and Financial						
Institution Development Fund	-	200,000	200,000	-	324,769	324,769
Commercial banks	-	4,048,996	4,048,996	-	2,990,000	2,990,000
Specific Financial Institution	-	5,314,589	5,314,589	-	3,644,812	3,644,812
Other financial institutions	1,594,377	558,232	2,152,609	224,527	766,589	991,116
	1,594,377	10,121,817	11,716,194	224,527	7,726,170	7,950,697
<b>Foreign</b>						
USD	-	1,622,490	1,622,490	-	-	-
<b>Total</b>	1,594,377	11,744,307	13,338,684	224,527	7,726,170	7,950,697

## 24 Financial liabilities designated at fair value through profit or loss

	Consolidated		Separate	
	2018	2017	2018	2017
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Structured debentures	1,193,144	-	-	-
<b>Total</b>	1,193,144	-	-	-

### Proportion of transactions being classified by type of counterparties

	Consolidated		Separate	
	2018	2017	2018	2017
	%	%	%	%
Third parties	100	-	-	-
<b>Total</b>	100	-	-	-



## 25 Debt issued and borrowings

	Currency	Interest rate %	Maturity	Consolidated	
				2018 Thousand Baht	2017 Thousand Baht
Senior securities	THB	1.57 - 1.98	2019 - 2020	35,255,000	44,461,700
Subordinated bond	THB	3.50 - 5.10	2025 - 2028	8,290,000	6,000,000
Structured debentures not designated at fair value	THB	0.80 - 2.20 and linked to equity or set index price	2019 - 2020	4,967,971	6,195,884
Bills of exchange	THB	1.90 - 1.91	2019	495,088	-
Total				49,008,059	56,657,584

	Currency	Interest rate %	Maturity	Separate	
				2018 Thousand Baht	2017 Thousand Baht
Senior securities	THB	1.57 - 1.98	2019 - 2020	35,255,000	44,461,700
Subordinated bond	THB	3.50 - 5.10	2025 - 2028	8,290,000	6,000,000
Structured debentures not designated at fair value	THB	1.60 - 2.20 and linked to equity or set index price	2019 - 2020	3,103,301	1,462,096
Bills of exchange	THB	1.90 - 1.91	2019	495,088	-
Total				47,143,389	51,923,796

## 26 Provisions

	Consolidated		Separate	
	2018 Thousand Baht	2017 Thousand Baht	2018 Thousand Baht	2017 Thousand Baht
Post-employment benefits obligation	637,293	525,065	407,479	346,099
Others	142,291	107,064	142,291	107,064
Total	779,584	632,129	549,770	453,163

### Post-employment benefits obligation

The Group has post-employment benefits plan under the Thai Labor Protection Act, which is considered as unfunded defined benefit plans.



Movements in the present value of the defined benefit obligation for the years ended 31 December 2018 and 2017 are as follows;

	Consolidated		Separate	
	2018 Thousand Baht	2017 Thousand Baht	2018 Thousand Baht	2017 Thousand Baht
Beginning defined benefit obligation	525,065	438,785	346,099	302,143
<u>Recognized within Statement of Profit or Loss:</u>				
Current service cost	69,837	44,545	51,155	30,045
Interest cost	10,452	11,250	6,613	7,477
Previous service cost	64,564	-	25,130	-
<u>Recognized within Other comprehensive income:</u>				
Remeasurements :				
Loss from change in demographic assumptions	-	5,987	-	1,832
Loss (gain) from change in financial assumptions	(3,397)	22,099	(2,041)	5,706
Experience (gain) loss	-	18,393	(19)	8,665
<u>Other:</u>				
Defined benefit obligation transferred from subsidiary company	-	-	(336)	318
Benefits paid	(29,228)	(15,994)	(19,122)	(10,087)
Ending defined benefit obligation	637,293	525,065	407,479	346,099

The principal actuarial assumptions used to calculate the obligation under the defined benefit plans as at 31 December 2018 and 2017 are as follows;

	2018	2017
Financial assumptions		
Discount rate	1.76% - 4.15%	1.2% - 4.0%
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	
	2018 Thousand Baht	2017 Thousand Baht	2018 Thousand Baht	2017 Thousand Baht
Discount rate -1.0%	688,923	565,073	442,103	371,713
Discount rate (base)	637,293	525,065	407,479	346,099
Discount rate +1.0%	592,511	489,856	377,504	323,604
Expected rate of salary increase -1.0%	588,308	490,261	374,804	323,834
Expected rate of salary increase (base)	637,293	525,065	407,479	346,099
Expected rate of salary increase +1.0%	692,876	563,762	444,645	370,908
Turnover rate -20.0%	676,783	560,799	437,274	373,264
Turnover rate (base)	637,293	525,065	407,479	346,099
Turnover rate +20.0%	605,030	495,654	383,542	324,103

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 recognized 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	
	2018 Thousand Baht	2017 Thousand Baht	2018 Thousand Baht	2017 Thousand Baht
Maturity duration of the post-employment benefits (Years)	11 - 15	11 - 13	15	13
Maturity analysis of benefits expected to be paid				
Benefits expected to be paid within 12 months	28,261	63,221	22,102	56,115
Benefits expected to be paid between 1 and 2 years	28,308	37,212	6,993	28,855
Benefits expected to be paid between 2 and 5 years	115,442	137,577	70,381	81,354
Benefits expected to be paid in more than 5 years	2,127,011	1,429,636	1,478,500	984,940





## Other provisions

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. On 31 August 2018, the Appeal court dismissed the petition of the Bank. However, the Bank is still in the process of filing an appeal to dispute the ruling.

## 27 Other accounts payable

	Consolidated		Separate	
	2018 Thousand Baht	2017 Thousand Baht	2018 Thousand Baht	2017 Thousand Baht
Margin payables	508,469	461,102	508,469	461,102
Insurance premium payables	315,734	268,955	315,734	268,955
Dealer payables	661,336	672,317	661,336	672,317
Other refund payables to customers	10,340	10,651	10,340	10,651
Securities payables	160,543	1,160,617	160,543	1,160,617
Others	575,957	350,591	410,609	200,545
Total	2,232,379	2,924,233	2,067,031	2,774,187

## 28 Legal Execution Department payable

As at 31 December 2017, 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. Afterwards, the Bank has 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. On 20 March 2018, the Central Bankruptcy Court rendered the judgement of the Supreme Court which ordered the Official Receiver to prepare the cash allocation detail and return the surplus cash from the auction to the Bank before allocating to other creditors according to the preferred credit line of the Bank in the Central Bankruptcy Court's order.



On 1 June 2018, the Bank had already paid cash to the Legal Execution Department in the amount of Baht 575.38 million. On 17 September 2018, the Bank had reviewed cash allocation details from the Official Receiver. In which, the Bank had received the surplus cash from auction after expense deduction amounting to Baht 546.60 million. Furthermore, the Bank had received the placed government bond of Baht 575.38 million together with a letter of acknowledgement of debt back from the Official Receiver. The bank had recorded a reversal of loss impairment of investment in receivables from this transaction in the amount of Baht 268.16 million.

## 29 Other liabilities

	Consolidated		Separate	
	2018	2017	2018	2017
	Thousand	Thousand	Thousand	Thousand
	Baht	Baht	Baht	Baht
Accrued bonus	1,570,026	1,466,463	887,733	846,463
Accrued expenses	888,197	782,203	922,246	746,371
Front-end fees	252,905	255,442	264,821	267,845
Other income received in advance	1,669,452	1,778,991	1,752,437	1,866,498
Deposits	294,798	230,945	291,893	230,945
Suspense accounts cash received from customers	-	22,921	-	22,921
Value added tax payable	153,451	198,231	141,643	182,951
Others	168,946	78,032	130,517	37,555
Total other liabilities	4,997,775	4,813,228	4,391,290	4,201,549

## 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 Group maintains its capital funds in accordance with the criteria, methodologies and conditions prescribed by the Bank of Thailand. As at 31 December 2018 and 2017, the Group total capital funds can be categorised as follows;

	Consolidated		Separate	
	2018	2017	2018	2017
	Thousand	Thousand	Thousand	Thousand
	Baht	Baht	Baht	Baht
Tier 1 capital				
Issued and paid-up capital	8,467,511	8,467,511	8,467,511	8,467,511
Share premium	9,356,233	9,356,233	9,356,233	9,356,233
Legal reserve	852,337	852,337	852,337	852,337
General reserve	380	380	380	380
Retained earnings after appropriation	22,474,128	19,924,263	18,408,954	16,635,984
Other reserve and other provisions	(84,079)	861,613	282,744	369,211
Capital deduction items on CET1	(6,055,443)	(5,685,961)	(5,897,714)	(5,474,418)
Total tier 1 capital	35,011,067	33,776,376	31,470,445	30,207,238
Tier 2 capital				
Subordinated debt	8,290,000	6,000,000	8,290,000	6,000,000
Allowance for classified assets of "normal" category	1,283,569	1,113,184	1,304,006	1,162,384
Total tier 2 capital	9,573,569	7,113,184	9,594,006	7,162,384
Total capital fund	44,584,636	40,889,560	41,064,451	37,369,622



As at 31 December 2018 and 2017, 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	
	2018 (%)	2017 (%)	2018 (%)	2017 (%)
Common equity tier 1 capital to				
risk-weighted assets	13.56	14.61	12.49	13.30
Tier 1 capital to risk-weighted assets	13.56	14.61	12.49	13.30
Capital funds to risk-weighted assets	17.26	17.69	16.29	16.45

	Consolidated		Separate	
	2018 Thousand Baht	2017 Thousand Baht	2018 Thousand Baht	2017 Thousand Baht
Capital funds less capital add-ons				
Capital funds to risk-weighted assets	44,584,636	40,889,560	41,064,451	37,369,622
Rate of capital funds to risk-weighted assets	17.26	17.69	16.29	16.45

#### 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 : [http://www.kiatnakinphatra.com/ir/disclosure\\_basel?lang=en](http://www.kiatnakinphatra.com/ir/disclosure_basel?lang=en)  
Date of disclosure : Within April 2019  
Information as at : 31 December 2018

Moreover, the Group has disclosed information related to Liquidity Coverage Ratio as at 31 December 2018 under the Notification of Bank of Thailand, no. Sor Nor Sor 2/2561, as the above location and date of disclosure.

## 32 Dividend paid

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 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 will be paid on 23 May 2017 at the rate of Baht 4.00 per share, amounting to Baht 3,386,964,836.



On 24 August 2017, the meeting of the Board of Directors of the Bank No. 8/2560 approved the resolution regarding the payment of dividend from six-month period operating performance at the rate of Baht 2.00 per ordinary share. The dividends was paid on 22 September 2017 amounting to Baht 1,693,416,618.

On 24 April 2018, the Annual General Meeting of the Bank's shareholders for the year 2018 approved the resolution regarding the payment of dividend for the year 2017 at the rate of Baht 5.00 per ordinary share, a part of which had been paid as dividend at the rate of Baht 2.00 per share on 22 September 2017, amounting to Baht 1,693,416,618 and the remaining amount was paid on 21 May 2018 amounting to Baht 2,540,208,627.

On 23 August 2018, the Board of directors Meeting of the Bank No. 9/2561 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 21 September 2018 amounting to Baht 1,693,474,218.

### 33 Other components of equity

Other components of equity for the for the years ended 31 December 2018 and 2017 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 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)
Opening balances as at 1 January 2018	718,478	1,083,000	(235,654)	(9,803)	(24,403)
Total comprehensive income (expenses)	(23,256)	(1,112,962)	217,590	(2,849)	(41,259)
Closing balances as at 31 December 2018	695,222	(29,962)	(18,064)	(12,652)	(65,662)



	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 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)
Opening balances as at 1 January 2018	124,797	474,880	(119,935)
Total comprehensive income (expenses)	23,244	(121,450)	19,641
Closing balances as at 31 December 2018	148,041	353,430	(100,294)

## 34 Assets with obligations and restrictions

As at 31 December 2018, the Group and the Bank have no transaction as collateral for other commitments with government departments and state enterprises (31 December 2017: Baht 599.85 million).

As at 31 December 2018, the Group and the Bank have investments in government securities which are pledged as collaterals for repurchase agreement with fair value of Baht 1,551.69 million. (31 December 2017: Baht 504.55 million).

## 35 Commitments and contingent liabilities

	Consolidated		Separate	
	2018 Thousand Baht	2017 Thousand Baht	2018 Thousand Baht	2017 Thousand Baht
Aval to bills of exchange	1,904,633	859,926	1,904,633	859,926
Other contingencies				
- Unused overdraft credit facilities	6,066,846	5,648,569	6,796,846	6,778,569
- Other guarantee	7,257,354	5,715,416	7,257,354	5,715,416
Total	15,228,833	12,223,911	15,958,833	13,353,911

As at 31 December 2018, the Group has other commitments in the form of various agreements relating to computer system and software development and construction agreement of the office building. The Group is obligated to pay a further Baht 1,540.87 million (31 December 2017: Baht 292.93 million).



## 36 Earnings per share

Earnings per share in the consolidated and the separate financial statements for years ended 31 December 2018 and 2017 are calculated as follows;

	Consolidated					
	For the year ended 31 December					
	Profit for the years		Weighted average number of ordinary shares		Earnings per share	
	2018	2017	2018	2017	2018	2017
	Thousand Baht	Thousand Baht	Thousand Shares	Thousand Shares	Baht	Baht
Basic earnings per share						
Net profit available to ordinary shareholders	6,041,983	5,736,869	846,751	846,751	7.14	6.78

	Separate					
	For the year ended 31 December					
	Profit for the years		Weighted average number of ordinary shares		Earnings per share	
	2018	2017	2018	2017	2018	2017
	Thousand Baht	Thousand Baht	Thousand Shares	Thousand Shares	Baht	Baht
Basic earnings per share						
Net profit available to ordinary shareholders	5,574,339	5,076,298	846,751	846,751	6.58	6.00

There are no dilutive ordinary shares in issue for the years ended 31 December 2018 and 2017.



## 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 2018 and 2017 are as follows;

### 37.1 Investments in securities

The Bank has investments in debt instruments in companies which were ordered to discontinue their operations and defaulted their debts as at 31 December 2018 and 2017 as follows;

Consolidated and Separate					
2018					
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	2	5.42	5.42	-
		3	5.46	5.42	0.04
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

The Group had recognized impairment loss on such debt instruments in the statement of profit or loss and other comprehensive income in the year when incurred.





### 37.2 Loans and accrued interest receivables

The Group 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				
2018				
	Numbers	Total debts Thousand Baht	Collateral Thousand Baht	Allowance for doubtful accounts Thousand Baht
Companies which are under default problem	161	5,543,303	10,064,705	1,499,275
	161	5,543,303	10,064,705	1,499,275

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



## 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.



### 38.1 Income

The following transactions were carried out with related parties for the years ended 31 December 2018 and 2017.

	Consolidated		Separate	
	2018 Million Baht	2017 Million Baht	2018 Million Baht	2017 Million Baht
<b>Interest, dividend income and profit sharing</b>				
Subsidiaries				
Phatra Capital PCL.	-	-	947	497
Phatra Securities PCL.	-	-	49	40
KKP Tower Co., Ltd.	-	-	48	49
Asia Recovery 1 Fund	-	-	8	-
Asia Recovery 2 Fund	-	-	90	-
Asia Recovery 3 Fund	-	-	2	12
Thai Restructuring Fund	-	-	43	1
Bangkok Capital Fund	-	-	301	243
Gamma Capital Fund	-	-	237	276
	-	-	1,725	1,118
<b>Fees and services income</b>				
Subsidiaries				
Phatra Capital PCL.	-	-	19	15
Phatra Securities PCL.	-	-	56	30
Phatra Asset Management Co., Ltd.	-	-	24	8
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	13	-	-
	13	13	118	72



	Consolidated		Separate	
	2018	2017	2018	2017
	Million	Million	Million	Million
	Baht	Baht	Baht	Baht
Other operating income				
Subsidiaries				
Phatra Securities PCL.	-	-	(3)	(40)
Thai Restructuring Fund	-	-	-	(3)
Bangkok Capital Fund	-	-	4	(3)
Gamma Capital Fund	-	-	1	(2)
	-	-	2	(48)

## 38.2 Expenses

The following transactions were carried out with related parties for the years ended 31 December 2018 and 2017.

	Consolidated		Separate	
	2018	2017	2018	2017
	Million	Million	Million	Million
	Baht	Baht	Baht	Baht
Interest and discounts on borrowings				
Subsidiaries				
Phatra Securities PCL.	-	-	6	7
KKP Tower Co., Ltd.	-	-	1	-
Directors and management at the position				
of department head and above including their related				
persons who have control or significant influences	30	38	30	38
	30	38	37	45
Other service expenses				
Subsidiaries				
Phatra Capital PCL.	-	-	183	153
Phatra Securities PCL.	-	-	89	36
KKP Tower Co., Ltd.	-	-	191	174
Other related parties	104	67	104	67
	104	67	567	430



### 38.3 Outstanding balances

The outstanding balance of significant related party transactions as at 31 December 2018 and 31 December 2017 are as follows;

	Consolidated		Separate	
	2018 Million Baht	2017 Million Baht	2018 Million Baht	2017 Million Baht
<b>Loans to financial institutions/ Loans</b>				
Subsidiaries				
Phatra Capital PCL.	-	-	1,770	1,870
Phatra Securities PCL.	-	-	-	3,050
KKP Tower Co., Ltd.	-	-	1,274	960
<u>Less</u> Allowance of doubtful accounts	-	-	(20)	(49)
Directors and management at the position of department head and above including their related persons who have control or significant influences	3	-	3	-
	<u>3</u>	<u>-</u>	<u>3,027</u>	<u>5,831</u>
<b>Accrued interest receivables</b>				
Subsidiaries				
Phatra Capital PCL.	-	-	7	6
KKP Tower Co., Ltd.	-	-	1	-
	<u>-</u>	<u>-</u>	<u>8</u>	<u>6</u>
<b>Other accounts receivables</b>				
Subsidiaries				
Phatra Capital PCL.	-	-	6	9
Phatra Securities PCL.	-	-	57	58
Phatra Asset Management Co., Ltd.	-	-	9	1
Asia Recovery 1 Fund	-	-	8	-
Asia Recovery 2 Fund	-	-	90	-
Bangkok Capital Fund	-	-	168	-
	<u>-</u>	<u>-</u>	<u>338</u>	<u>68</u>
<b>Derivative assets</b>				
Subsidiaries				
Phatra Securities Co., Ltd.	-	-	22	4
	<u>-</u>	<u>-</u>	<u>22</u>	<u>4</u>
<b>Other assets</b>				
Subsidiaries				
KKP Tower Co., Ltd.	-	-	52	50
Other related parties	1	1	1	1
	<u>1</u>	<u>1</u>	<u>53</u>	<u>51</u>



	Consolidated		Separate	
	2018 Million Baht	2017 Million Baht	2018 Million Baht	2017 Million Baht
<b>Deposits</b>				
Subsidiaries				
Phatra Capital PCL.	-	-	31	3
Phatra Securities PCL.	-	-	167	22
Phatra Asset Management Co., Ltd.	-	-	16	9
Erawan Law Office Co., Ltd.	-	-	6	6
Bangkok Capital Fund	-	-	201	59
Gamma Capital Fund	-	-	166	229
KKP Tower Co., Ltd.	-	-	108	103
Directors and management at the position of department head and above including their related persons who have control or significant influences	765	464	765	464
	<u>765</u>	<u>464</u>	<u>1,460</u>	<u>895</u>
<b>Borrowings</b>				
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	538	648	538	648
	<u>538</u>	<u>648</u>	<u>538</u>	<u>648</u>
<b>Derivatives liabilities</b>				
Subsidiaries				
Phatra Securities PCL.	-	-	-	37
	<u>-</u>	<u>-</u>	<u>-</u>	<u>37</u>
<b>Accrued interest expenses</b>				
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	
	2018	2017	2018	2017
	Million	Million	Million	Million
	Baht	Baht	Baht	Baht
Other liabilities				
Subsidiaries				
Phatra Capital PCL.	-	-	130	107
Phatra Securities PCL.	-	-	58	27
KKP Tower Co., Ltd.	-	-	8	7
Other related parties	5	3	5	3
	<u>5</u>	<u>3</u>	<u>201</u>	<u>144</u>

During the year ended 31 December 2018, the Bank has no transaction sold assets to a director. (31 December 2017: the Bank sold an asset which had net book value of 1 Baht to a director at Baht 0.15 million).

## 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 2018 and 2017, compensations paid to key management personnel are as follows;

	Consolidated		Separate	
	2018	2017	2018	2017
	Thousand	Thousand	Thousand	Thousand
	Baht	Baht	Baht	Baht
Short-term employee benefits	378,073	405,952	231,671	259,543
Post-employment benefits	8,479	5,592	6,386	4,271
Total	<u>386,552</u>	<u>411,544</u>	<u>238,057</u>	<u>263,814</u>



## 40 Operating lease commitments

As at 31 December 2018 and 2017, 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			
	2018			
	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	1,212	317,020	25,547	343,779
Within the second year	1,212	236,070	20,350	257,632
Over three years	1,052	230,769	11,348	243,169
Total	3,476	783,859	57,245	844,580

	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	225,106	679	256,849
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

	Separate		
	2018		
	Office rental expenses Thousand Baht	Computer software expenses Thousand Baht	Total Thousand Baht
Within the first year	310,216	-	310,216
Within the second year	229,489	-	229,489
Over three years	226,181	-	226,181
Total	765,886	-	765,886

	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





## 41 Operating segments

The Group discloses operating segments information in accordance with the Thai Financial Reporting Standard No.8 “Operating Segments” and under the same basis as internal management reports presented to the Bank’s chief operating decision maker for resources allocation to and performance evaluation of various segments. Accordingly, the Bank has divided reportable segments in accordance with the new structure of the Kiatnakin Phatra Financial Group and characteristics of segments operating in significantly diverse environment. These operating segments are; Commercial Banking Business, Capital Market Business, and the Debt Restructuring Segment under the Commercial Banking Business. Details of each operating segment are as follows;

- Commercial banking business consists of all commercial banking business and KKP Tower Co., Ltd. except for the Debt restructuring segment
- Capital market business consists of Phatra Capital PCL., Phatra Securities PCL., Phatra Asset Management Co., Ltd. and Phatra Asset Management (Cayman) Limited 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 2018 and 2017 are as follows;

	Consolidated			
	2018			
	Commercial banking business	Capital market business	Debt restructuring segment	Total
	Million Baht	Million Baht	Million Baht	Million Baht
Income from external clients				
Interest income, net	11,229	(188)	221	11,262
Fees and services income, net	2,000	2,578	1	4,579
Other operating income, net	873	1,384	5	2,262
Total income from operating	14,102	3,774	227	18,103
Income between segments	1,920	278	-	2,198
Depreciation and amortisation	497	105	11	613
Other expenses	7,002	1,980	(125)	8,857
Total other operating expenses	7,499	2,085	(114)	9,470
Impairment loss of loans and debt securities (Reversal)	1,245	-	1	1,246
Profit from operating before income tax expenses	5,358	1,689	340	7,387
Income tax expenses	1,034	338	(29)	1,343
Net Income	4,324	1,351	369	6,044



	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

#### 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 2018	283,109	19,155	4,065	306,329
As at 31 December 2017	229,589	24,827	4,919	259,335



## 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 2018 and 2017 are as follows;

	Consolidated	
	2018 Million Baht	2017 Million Baht
Income		
Consolidated income from all segments	20,301	17,765
Elimination of inter-segment income	(2,198)	(1,468)
<b>Total income</b>	<b>18,103</b>	<b>16,297</b>
Profit		
Consolidated profit from all segments	7,387	6,956
Elimination of inter-segment profit	-	-
<b>Profit from operating before income tax expenses</b>	<b>7,387</b>	<b>6,956</b>

Reconciliation between consolidated assets from all segments and total assets as at 31 December 2018 and 2017 are as follows;

	Consolidated	
	2018 Million Baht	2017 Million Baht
Assets		
Consolidated assets from all segments	306,329	259,335
Elimination of inter-segment assets	-	-
<b>Total assets</b>	<b>306,329</b>	<b>259,335</b>

During the years ended 31 December 2018 and 2017, 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					
	2018			2017		
	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht
Total assets	297,198,497	9,131,001	306,329,498	251,373,062	7,962,182	259,335,244
Interbank and money						
market items, net (Assets)	26,674,522	1,525,067	28,199,589	10,624,486	886,341	11,510,827
Investments	27,657,861	2,122,706	29,780,567	31,738,833	2,309,630	34,048,463
Loan to customer and accrued						
interest receivables, net	213,607,779	4,698,603	218,306,382	178,401,765	4,109,238	182,511,003
Deposits	181,693,821	-	181,693,821	132,878,106	-	132,878,106
Interbank and money						
market items (Liabilities)	11,534,125	1,622,490	13,156,615	8,289,723	-	8,289,723
Debt issued and borrowings	49,008,059	-	49,008,059	56,657,584	-	56,657,584

	Separate					
	2018			2017		
	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht
Total assets	288,579,064	6,557,849	295,136,913	239,992,349	5,095,644	245,087,993
Interbank and money						
market items, net (Assets)	23,735,712	1,510,441	25,246,153	12,001,559	869,034	12,870,593
Investments	21,818,428	-	21,818,428	19,691,297	-	19,691,297
Loan to customer and accrued						
interest receivables, net	216,639,160	4,698,603	221,337,763	181,219,326	4,109,239	185,328,565
Deposits	182,205,861	-	182,205,861	133,278,244	-	133,278,244
Interbank and money						
market items (Liabilities)	11,716,194	1,622,490	13,338,684	7,950,697	-	7,950,697
Debt issued and borrowings	47,143,389	-	47,143,389	51,923,796	-	51,923,796



## 42.2 Performance classified by type of transaction

	Consolidated					
	2018			2017		
	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht
Interest income	16,037,978	256,375	16,294,353	14,603,000	241,465	14,844,465
Interest expenses	5,023,783	8,938	5,032,721	4,213,615	2,412	4,216,027
Net interest income	11,014,195	247,437	11,261,632	10,389,385	239,053	10,628,438
Net fee and service income	4,310,204	269,074	4,579,278	3,782,356	272,780	4,055,136
Other operating income	2,205,328	56,831	2,262,159	2,243,149	(628,868)	1,614,281
Other operating expenses	10,696,136	19,818	10,715,954	9,334,739	6,858	9,341,597
Profit (loss) from continuing operation before income tax expenses	6,833,591	553,524	7,387,115	7,080,151	(123,893)	6,956,258

	Separate					
	2018			2017		
	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht
Interest income	15,946,819	252,870	16,199,689	14,271,986	240,116	14,512,102
Interest expenses	4,932,159	63	4,932,222	4,111,970	613	4,112,583
Net interest income	11,014,660	252,807	11,267,467	10,160,016	239,503	10,399,519
Net fee and service income	2,047,982	-	2,047,982	1,873,652	-	1,873,652
Other operating income	2,527,823	(36,618)	2,491,205	2,223,476	(645,318)	1,578,158
Other operating expenses	9,188,803	12,839	9,201,642	7,814,291	3,650	7,817,941
Profit (loss) from continuing operation before income tax expenses	6,401,662	203,350	6,605,012	6,442,853	(409,465)	6,033,388



## 43 Interest income

Interest income for the years ended 31 December 2018 and 2017 are as follows;

	Consolidated		Separate	
	2018 Thousand Baht	2017 Thousand Baht	2018 Thousand Baht	2017 Thousand Baht
Interbank and money market items	245,872	155,225	267,169	161,375
Investment in debt securities	457,542	377,951	399,283	319,925
Investment in receivables	292,342	479,900	79,792	73,409
Loans	6,202,754	5,023,234	6,368,738	5,149,146
Hire-purchase and financial leases	9,074,121	8,805,112	9,074,121	8,805,112
Others	21,722	3,043	10,586	3,135
Total interest income	16,294,353	14,844,465	16,199,689	14,512,102

## 44 Interest expenses

Interest expenses for the years ended 31 December 2018 and 2017 are as follows;

	Consolidated		Separate	
	2018 Thousand Baht	2017 Thousand Baht	2018 Thousand Baht	2017 Thousand Baht
Deposits	2,642,282	2,269,695	2,644,754	2,271,167
Interbank and money market items	155,354	117,620	141,996	108,813
Contributions to Financial Institution				
Development Fund and Deposit Protection Agency	930,876	753,977	930,876	753,977
Debt issued				
- Senior securities	842,481	683,400	842,481	683,400
- Subordinated bond	320,149	281,250	320,149	281,250
- Others	74,258	66,733	159	900
Fees and charges on borrowings	19,822	5,701	40,003	8,486
Others	47,499	37,651	11,804	4,590
Total interest expenses	5,032,721	4,216,027	4,932,222	4,112,583



## 45 Fees and services income, net

Fees and services income, net for the years ended 31 December 2018 and 2017 are as follows;

	Consolidated		Separate	
	2018 Thousand Baht	2017 Thousand Baht	2018 Thousand Baht	2017 Thousand Baht
Fees and services income				
- Brokerage fees	1,563,068	1,544,593	-	-
- Bancassurance fees	999,561	957,073	999,561	957,073
- Acceptance, avals and guarantees	87,987	71,947	87,987	71,947
- Others	2,371,409	1,874,503	1,092,534	959,574
Total fees and services income	5,022,025	4,448,116	2,180,082	1,988,594
Fees and services expenses				
- Security management fees	224,603	226,704	-	-
- Others	218,144	166,276	132,100	114,942
Total fees and services expenses	442,747	392,980	132,100	114,942
Fees and services income, net	4,579,278	4,055,136	2,047,982	1,873,652

## 46 Gain on trading and foreign exchange transactions, net

Gain on trading and foreign exchange transactions, net for the years ended 31 December 2018 and 2017 are as follows;

	Consolidated		Separate	
	2018 Thousand Baht	2017 Thousand Baht	2018 Thousand Baht	2017 Thousand Baht
Gain (loss) on trading and foreign exchange transactions				
- Foreign exchange	(18,141)	(70,968)	(21,682)	(31,238)
- Debt securities	29,810	56,269	27,719	53,499
- Equity securities	(1,923,276)	448,670	30,605	(115,104)
- Derivatives	2,368,614	(165,634)	99,582	243,851
Total	457,007	268,337	136,224	151,008



## 47 Gain on financial liabilities designated at fair value through profit or loss

Gain on financial liabilities designated at fair value through profit or loss for the years ended 31 December 2018 and 2017 are as follows:

	Consolidated		Separate	
	2018 Thousand Baht	2017 Thousand Baht	2018 Thousand Baht	2017 Thousand Baht
Changes in fair value of:				
Debtentures	66,355	-	-	-
Loss on redemption and interest expense paid	(3,646)	-	-	-
Total	62,709	-	-	-

## 48 Gain (loss) on investments, net

Gain (loss) on investments, net for the years ended 31 December 2018 and 2017 are as follows;

	Consolidated		Separate	
	2018 Thousand Baht	2017 Thousand Baht	2018 Thousand Baht	2017 Thousand Baht
Gain (loss) on sale of				
- Available-for-sale investments	389,879	177,858	323,466	25,741
- General investments	(9)	(111)	-	77
- Investments in subsidiaries	-	-	4,895	8,615
Total	389,870	177,747	328,361	34,433
Reversal (loss) on impairment of				
- Available-for-sale investments	-	1,186	-	1,186
- General investments	23	(990)	(14)	(1,140)
- Investments in subsidiaries	-	-	(159,316)	(225,225)
Total	23	196	(159,330)	(225,179)
Total gain (loss) on investments, net	389,893	177,943	169,031	(190,746)

The Group recognized loss on impairment due to the carrying value less than the fair value.





## 49 Other operating income

Other operating income for the years ended 31 December 2018 and 2017 are as follows;

	Consolidated		Separate	
	2018 Thousand Baht	2017 Thousand Baht	2018 Thousand Baht	2017 Thousand Baht
Penalty income	263,346	288,560	263,346	288,560
Profit from sales of fixed assets	28,109	27,401	27,775	26,965
Other income	93,534	178,456	62,912	62,055
Total other operating income	384,989	494,417	354,033	377,580

## 50 Other expenses

Other expenses for the years ended 31 December 2018 and 2017 are as follows;

	Consolidated		Separate	
	2018 Thousand Baht	2017 Thousand Baht	2018 Thousand Baht	2017 Thousand Baht
Repossessed cars expenses	231,169	199,201	231,169	199,201
Properties foreclosed expenses	56,113	49,558	56,113	49,558
Transportation expenses	155,912	143,615	139,816	128,729
Advertising and promotion expenses	579,343	515,146	553,696	497,753
Management fee of Mutual funds	11,942	11,076	-	-
Other intangible assets expenses	123,568	123,923	98,452	104,038
Other expenses	653,938	695,026	511,423	507,152
Total other expenses	1,811,985	1,737,545	1,590,669	1,486,431



## 51 Impairment loss on loans and debt securities

Impairment loss on loans and debt securities for the years ended 31 December 2018 and 2017 are as follows;

	Consolidated		Separate	
	2018 Thousand Baht	2017 Thousand Baht	2018 Thousand Baht	2017 Thousand Baht
Interbank and money market items	14,034	14,850	(16,466)	10,351
Loans	2,483,447	1,676,782	2,485,185	1,684,582
Loss for restructuring	1,838	3,658	1,838	3,658
Loss on revaluation and impairment of investments in receivables	18,157	49,704	24,906	40,966
	2,517,476	1,744,994	2,495,463	1,739,557
<u>Less</u> Bad debts recovered from loans and hire purchase receivables	(1,001,646)	(977,496)	(1,001,646)	(977,496)
Bad debts recovered from investments in receivables	(270,335)	(4,274)	(270,335)	(4,274)
Total	1,245,495	763,224	1,223,482	757,787

## 52 Income tax expenses

Income tax expenses for the years ended 31 December 2018 and 2017 are as follows;

	Consolidated		Separate	
	2018 Thousand Baht	2017 Thousand Baht	2018 Thousand Baht	2017 Thousand Baht
Current income tax for the year	1,441,169	1,240,681	1,021,392	998,640
Adjustment in respect of current income tax of previous year	(17,312)	(7,928)	(18,051)	(5,349)
Deferred tax	(81,028)	(42,548)	27,332	(36,201)
Total income tax expenses	1,342,829	1,190,205	1,030,673	957,090



Reconciliation of effective tax rate for the years ended 31 December 2018 and 2017 are as follows;

	Consolidated	
	2018 Thousand Baht	2017 Thousand Baht
Profit before income tax expenses	7,387,115	6,956,258
Tax calculated at a tax rate of 20%	1,477,423	1,391,252
Adjustment in respect of current income tax of previous year	(17,312)	(7,928)
Income not subjected to tax	(308,012)	(229,448)
Expenses not deductible for tax purpose	190,730	36,329
Income tax expenses as statements of profit or loss and other comprehensive income	1,342,829	1,190,205

	Separate	
	2018 Thousand Baht	2017 Thousand Baht
Profit before income tax expenses	6,605,012	6,033,388
Tax calculated at a tax rate of 20%	1,321,002	1,206,678
Adjustment in respect of current income tax of previous year	(18,051)	(5,349)
Income not subjected to tax	(451,599)	(267,630)
Expenses not deductible for tax purpose	179,321	23,391
Income tax expenses as statements of profit or loss and other comprehensive income	1,030,673	957,090

The weighted average income tax rate for the year ended 31 December 2018 was 18.18% and 15.60% in the consolidated and the separate financial statements respectively (2017 : 17.11% and 15.86% respectively).

The weighted average income tax rate for the separate financial statements decreased from dividend received transactions.



## 53 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 2018 and 2017 are as follows;

	Consolidated					
	2018			2017		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Gain (loss) on remeasuring investments in receivables	(24,104)	(4,649)	(28,753)	(128,260)	(1,503)	(129,763)
Gain (loss) on remeasuring available-for-sale securities	(1,113,180)	222,282	(890,898)	685,108	(133,360)	551,748
Gain (loss) on currency translation differences	(2,849)	-	(2,849)	(9,805)	-	(9,805)
Remeasurments of post-employment benefit obligations	3,397	(680)	2,717	(46,479)	9,296	(37,183)
Other comprehensive income (loss)	(1,136,736)	216,953	(919,783)	500,564	(125,567)	374,997

	Separate					
	2018			2017		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Gain (loss) on remeasuring investments in receivables	23,244	(4,649)	18,595	7,514	(1,503)	6,011
Gain (loss) on remeasuring available-for-sale securities	(121,450)	24,290	(97,160)	70,529	(14,106)	56,423
Remeasurments of post-employment benefit obligations	2,060	(412)	1,648	(16,203)	3,241	(12,962)
Other comprehensive income (loss)	(96,146)	19,229	(76,917)	61,840	(12,368)	49,472



## 54 Fair value

### 54.1 Fair value estimation

The fair value of 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 2018 and 2017.



Consolidated					
2018					
	Carrying amount Thousand Baht	Fair value			Total Thousand Baht
		Level 1 Thousand Baht	Level 2 Thousand Baht	Level 3 Thousand Baht	
<b>Assets</b>					
Derivatives assets	3,264,731	-	3,264,731	-	3,264,731
Trading securities and securities designated at fair value through profit or loss					
Government and state enterprise securities	1,435,172	-	1,435,172	-	1,435,172
Private sector's debt securities	426,877	-	426,877	-	426,877
Private sector's debt securities	6,418	-	6,418	-	6,418
Domestic marketable equity securities	7,923,275	7,923,275	-	-	7,923,275
Foreign marketable equity securities	21,531	21,531	-	-	21,531
Available-for-sale securities					
Government and state enterprise securities	14,269,874	-	14,269,874	-	14,269,874
Private sector's debt securities	69,823	-	69,823	-	69,823
Domestic marketable equity securities	2,280,682	2,280,682	-	-	2,280,682
Foreign marketable equity security	2,094,757	2,094,757	-	-	2,094,757
Investments in receivables, net	1,769,505	-	-	1,769,505	1,769,505
<b>Total assets</b>	<b>33,562,645</b>	<b>12,320,245</b>	<b>19,472,895</b>	<b>1,769,505</b>	<b>33,562,645</b>
<b>Liabilities</b>					
Financial liabilities designated at fair value through profit or loss	1,193,144	-	1,193,144	-	1,193,144
Derivatives liabilities	3,415,333	-	3,415,333	-	3,415,333
<b>Total liabilities</b>	<b>4,608,477</b>	<b>-</b>	<b>4,608,477</b>	<b>-</b>	<b>4,608,477</b>

Consolidated					
2017					
	Carrying amount Thousand Baht	Fair value			Total Thousand Baht
		Level 1 Thousand Baht	Level 2 Thousand Baht	Level 3 Thousand Baht	
<b>Assets</b>					
Derivatives assets	3,373,938	-	3,373,938	-	3,373,938
Trading 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
<b>Total assets</b>	<b>38,350,815</b>	<b>20,266,922</b>	<b>15,913,455</b>	<b>2,170,438</b>	<b>38,350,815</b>
<b>Liabilities</b>					
Derivatives liabilities	4,303,925	-	4,303,925	-	4,303,925
<b>Total liabilities</b>	<b>4,303,925</b>	<b>-</b>	<b>4,303,925</b>	<b>-</b>	<b>4,303,925</b>



Separate					
2018					
	Carrying amount Thousand Baht	Fair value			Total Thousand Baht
		Level 1 Thousand Baht	Level 2 Thousand Baht	Level 3 Thousand Baht	
<b>Assets</b>					
Derivatives assets	3,110,500	-	3,110,500	-	3,110,500
Trading securities and securities designated at fair value through profit or loss					
Government and state enterprise securities	1,435,172	-	1,435,172	-	1,435,172
Private sector's debt securities	426,877	-	426,877	-	426,877
Domestic marketable equity securities	2,691,213	2,691,213	-	-	2,691,213
Available-for-sale securities					
Government and state enterprise securities	14,269,874	-	14,269,874	-	14,269,874
Private sector's debt securities	69,823	-	69,823	-	69,823
Domestic marketable equity security	1,893,430	1,893,430	-	-	1,893,430
Investments in receivables, net	472,574	-	-	472,574	472,574
<b>Total assets</b>	<b>24,369,463</b>	<b>4,584,643</b>	<b>19,312,246</b>	<b>472,574</b>	<b>24,369,463</b>
<b>Liabilities</b>					
Derivatives liabilities	3,155,380	-	3,155,380	-	3,155,380
<b>Total liabilities</b>	<b>3,155,380</b>	<b>-</b>	<b>3,155,380</b>	<b>-</b>	<b>3,155,380</b>

Separate					
2017					
	Carrying amount Thousand Baht	Fair value			Total Thousand Baht
		Level 1 Thousand Baht	Level 2 Thousand Baht	Level 3 Thousand Baht	
<b>Assets</b>					
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 securities	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
<b>Total assets</b>	<b>22,747,236</b>	<b>6,119,528</b>	<b>15,856,045</b>	<b>771,663</b>	<b>22,747,236</b>
<b>Liabilities</b>					
Derivatives liabilities	3,241,968	-	3,241,968	-	3,241,968
<b>Total liabilities</b>	<b>3,241,968</b>	<b>-</b>	<b>3,241,968</b>	<b>-</b>	<b>3,241,968</b>

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 2018 and 2017.

	Consolidated				
	2018				
	Carrying amount Thousand Baht	Fair value			Total Thousand Baht
		Level 1 Thousand Baht	Level 2 Thousand Baht	Level 3 Thousand Baht	
<b>Assets</b>					
Interbank and money market items, net	28,199,589	28,199,589	-	-	28,199,589
Derivative assets*	51,127	-	46,815	-	46,815
Loans to customers and accrued interest					
receivables, net	218,306,382	-	218,670,526	-	218,670,526
Held-to-maturity securities	1,226,988	-	1,274,440	-	1,274,440
General investments	25,170	-	-	245,322	245,322
Account receivable from clearing house	3,411,791	-	3,411,791	-	3,411,791
Securities and derivative business					
receivables	4,212,723	-	4,212,723	-	4,212,723
<b>Total assets</b>	<b>255,433,770</b>	<b>28,199,589</b>	<b>227,616,295</b>	<b>245,322</b>	<b>256,061,206</b>
<b>Liabilities</b>					
Deposits	181,693,821	-	183,355,069	-	183,355,069
Interbank and money market items, net	13,156,615	13,156,615	-	-	13,156,615
Liabilities payable on demands	503,487	-	503,487	-	503,487
Derivative liabilities*	22,996	-	38,982	-	38,982
Debt issued and borrowings	49,008,059	-	49,001,058	-	49,001,058
Accounts payable to clearing house	120,194	-	120,194	-	120,194
Securities and derivative business					
payables	5,297,794	-	5,297,794	-	5,297,794
Accrued interest payable	692,732	-	692,732	-	692,732
<b>Total liabilities</b>	<b>250,495,698</b>	<b>13,156,615</b>	<b>239,009,316</b>	<b>-</b>	<b>252,165,931</b>

\* Derivatives for hedging of transactions





	Consolidated				
	2017				
	Carrying amount Thousand Baht	Fair value			Total Thousand Baht
		Level 1 Thousand Baht	Level 2 Thousand Baht	Level 3 Thousand Baht	
<b>Assets</b>					
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
Account 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
<b>Total assets</b>	<b>203,997,783</b>	<b>11,510,827</b>	<b>191,833,268</b>	<b>232,183</b>	<b>203,576,278</b>
<b>Liabilities</b>					
Deposits	132,878,106	-	133,511,054	-	133,511,054
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
<b>Total liabilities</b>	<b>203,819,807</b>	<b>8,289,723</b>	<b>196,332,551</b>	<b>-</b>	<b>204,622,274</b>



	Separate				
	2018				
	Carrying amount Thousand Baht	Fair value			Total Thousand Baht
		Level 1 Thousand Baht	Level 2 Thousand Baht	Level 3 Thousand Baht	
<b>Assets</b>					
Interbank and money market items, net	25,246,153	25,246,153	-	-	25,246,153
Derivative assets	51,127	-	46,815	-	46,815
Loans to customers and accrued interest receivables, net	221,337,763	-	221,701,908	-	221,701,908
Held-to-maturity securities	1,002,599	-	1,050,051	-	1,050,051
General investment	29,440	-	-	234,642	234,642
<b>Total assets</b>	<b>247,667,082</b>	<b>25,246,153</b>	<b>222,798,774</b>	<b>234,642</b>	<b>248,279,569</b>
<b>Liabilities</b>					
Deposits	182,205,861	-	183,867,109	-	183,867,109
Interbank and money market items, net	13,338,684	13,338,684	-	-	13,338,684
Liabilities payable on demands	503,487	-	503,487	-	503,487
Derivative liabilities	22,996	-	38,982	-	38,982
Debt issued and borrowings	47,143,389	-	47,136,388	-	47,136,388
Accrued interest payable	692,015	-	692,015	-	692,015
<b>Total liabilities</b>	<b>243,906,432</b>	<b>13,338,684</b>	<b>232,237,981</b>	<b>-</b>	<b>245,576,665</b>

\* Derivatives for hedging of transactions

	Separate				
	2017				
	Carrying amount Thousand Baht	Fair value			Total Thousand Baht
		Level 1 Thousand Baht	Level 2 Thousand Baht	Level 3 Thousand Baht	
<b>Assets</b>					
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 investment	28,846	-	-	221,974	221,974
<b>Total assets</b>	<b>199,231,410</b>	<b>12,870,593</b>	<b>185,702,388</b>	<b>221,974</b>	<b>198,794,955</b>
<b>Liabilities</b>					
Deposits	133,278,244	-	133,911,192	-	133,911,192
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
<b>Total liabilities</b>	<b>194,209,488</b>	<b>7,950,697</b>	<b>187,061,258</b>	<b>-</b>	<b>195,011,955</b>

There was no transfers between Levels 1 and 2 during the year.



Other financial instruments not carried at fair value are typically short-term in nature and reprice to current market rate frequently. Accordingly, their carrying amount is a reasonable approximation of fair value. This includes saving deposits and current deposits presented as both interbank and money market assets and liabilities items, account receivable from clearing house, securities and derivative business receivables saving deposits and current deposits, liabilities payable on demand, account payable to cleaning house and securities and derivative business payables.

Fair value of the following assets and liabilities is estimated for the purpose of disclosure as described below;

**Loans to customers and accrued interest receivable, net**

For floating rate loans, the fair value is equal to the carrying amount.

For fixed rate loans which are classified as normal or special mentioned, the fair value is equal to the present value of future cash flows discounted by the effective interest of loans with similar features.

For non-performing fixed rate loans, the fair value is equal to the carrying amount.

**Interbank and money market items**

The interbank and money market items (assets) are loans to financial institutions which are short-term or at call. Accordingly, their carrying amount is a reasonable approximation of fair value.

The interbank and money market items (liabilities) are borrowing and fixed deposits which are short-term. Accordingly, their carrying amount is a reasonable approximation of fair value.

**Deposits**

For saving and current deposits, the fair value is estimated by using carrying amount.

For fixed deposits and certificate of deposit, the fair value is estimated by using discounted cash flow applying current rates offered for fixed deposits of similar remaining maturities.

**Debt issued and borrowings**

The fair value of debt issued and borrowings is estimated by using quoted prices or yields of the Thai Bond Association at the statement of financial positions. 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 Bank 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 is 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.

### **54.2 Valuation techniques used to derive Level 2 fair values 2**

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 is calculated by using internal valuation model which valuation inputs 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.



### 54.3 Fair value measurements using significant unobservable inputs (Level 3)

	Investments in receivables, net			
	Consolidated		Separate	
	2018 Thousand Baht	2017 Thousand Baht	2018 Thousand Baht	2017 Thousand Baht
Opening balance	2,170,438	2,553,786	771,663	829,729
Transfer out or repayment	(358,962)	(211,008)	(297,717)	(30,237)
Loss recognized in profit and loss	(17,867)	(44,080)	(24,616)	(35,343)
Gain (loss) recognized in other comprehensive income	(24,104)	(128,260)	23,244	7,514
Closing balance	1,769,505	2,170,438	472,574	771,663

There was no changes in fair value basis and estimation during the year.

### 54.4 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	
	2018 Million Baht	2017 Million Baht	2018 Million Baht	2017 Million Baht
Discount rate increased 1%	(49)	(54)	(16)	(17)
Discount rate decreased 1%	50	58	15	19

The Group 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.



## 55 Subsequent events

On 21 February 2019, the Board of directors Meeting of the Bank No. 2/2019 approved the resolution regarding the payment of dividend for the year of 2018 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 2019 at the rate of Baht 3 per share.

On 18 February 2019, the Board of directors Meeting of Phatra Capital Public Company Limited (“the subsidiary”) approved the resolution regarding the payment of dividend for the year of 2018 at the rate of Baht 7 per share, a part of which had been paid as interim dividend at the rate of Baht 4 per share and the remaining amount will be paid on 3 May 2019 at the rate of Baht 3 per share.

On 18 February 2019, the Board of directors Meeting of Phatra Securities Public Company Limited, a subsidiary company of Phatra Capital Public Company Limited, approved the resolution regarding the payment of dividend for the year of 2018 at the rate of Baht 7.5 per share, a part of which had been paid as interim dividend at the rate of Baht 3.5 per share and the remaining amount will be paid on 30 April 2019 at the rate of Baht 4 per share.

On 18 February 2019, the Board of directors Meeting of Phatra Asset Management Company Limited, a subsidiary company of Phatra Capital Public Company Limited, approved the resolution regarding the payment of dividend for the year of 2018 at the rate of Baht 30 per share, a part of which had been paid as interim dividend at the rate of Baht 20.5 per share and the remaining amount will be paid on 30 April 2019 at the rate of Baht 9.5 per share.



