
1. Policy and Overview of Business

Background

KASIKORNBANK Public Company Limited was established on 8 June 1945 with registered capital of Baht 5 Million. In its infancy, the Bank provided services of deposit-taking for general public and lending for business operations with chargeable interest rates at appropriate levels. The Bank has been listed on the Stock Exchange of Thailand and started trading in the market since 9 February 1976. In 1993, the Bank registered as a public company limited.

Mission

KASIKORNBANK aims to be a strong financial institution that provides a variety of financial services of world-class quality responsive to customers' needs by harmoniously combining technology and human resources so as to achieve optimal benefits for customers, shareholders, employees and society.

Vision

KASIKORNBANK aims to be the strongest, the most innovative and the most proactive financial institution in serving customers.

Core Values

- Customer Centricity
- Organization-Wide Teamwork
- Professionalism
- Innovation

Overview of Operating Environment

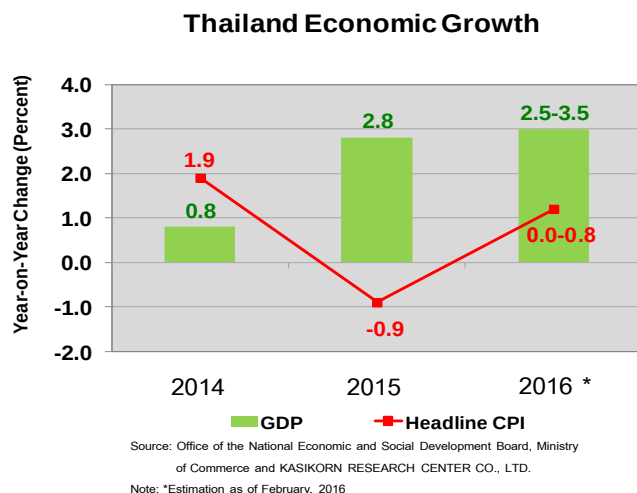
- **Global and Thai Economy in 2015 and Outlook for 2016**

Global economies in 2015 witnessed unexpected lower growth. Despite recovery in major economies, their pick-up speed was quite diverse. Among them, the US showed steady improvement, while the European Union and Japan recorded feeble growth. Emerging economies, meanwhile, saw slower-than-expected growth, following China's softening economy, in which, given its large size, had repercussion for trade and business liquidity worldwide. Divergence of monetary and fiscal policies in such core economies, as a result of their differing economic growth rates, sparked volatility in financial markets around the globe. A slump in commodity prices and heightened geopolitical tensions were among key risks plaguing global economic activity, as well.

Looking ahead into 2016, the world's economy may slowly emerge from the doldrums, with sustained growth in major economies, especially the US, which may be driven mainly by its improving labor market. The EU and Japan, at the same time, may see only fragile growth and be susceptible to China's deceleration, although lower oil prices may help somewhat lessen such adverse impacts. For China, its economic slowdown may persist, which will send ripples through emerging economies, particularly in Asia.

Meanwhile, risks to be aware of in 2016 will remain those seen last year, but notably with greater complication. With diverse monetary policies in core economies wherein the Fed is likely to push its interest rate higher but the European Central Bank, the Bank of Japan and the People's Bank of China will maintain their easing stance – keeping their interest rates close to

zero or in negative territory – global financial markets will become more volatile and uncertain. This is not to mention other risk factors as softening commodity prices and geopolitical issues.



Back to the Thai economy, it recorded 2.8-percent growth in 2015, up from 0.8 percent in 2014. However, several key economic indicators have yet to return to normalcy, especially exports and farm income, which remained under pressure throughout the year, as well as mounting household debt. Still, public sector investment and private consumption fared better than expected thanks to the government's accelerated budget disbursement and additional economic stimulus measures, namely projects related to water management and road transport development. Other positive factors also lie in initiatives

to promote consumer spending at year-end, low oil prices and easing monetary policy, as well as ongoing growth in tourism, driven mainly by rising Chinese and Malaysian tourist arrivals. Meanwhile, private sector investment showed improvement from last year in tandem with the government's investment projects.

In 2016, Thailand will see gradual economic revival amid various constraints. KResearch forecasts that the Thai economy may post higher growth of 3.0 percent, with our projected range of 2.5-3.5 percent. The government sector will be a major thrust for the improvement by injecting budget into the system in a bid to restore confidence of the private sector. Nonetheless, the Thai economy will likely see a bumpy road ahead. Among the numerous challenges are the fragile economies of our trade partners and continued volatility in global commodity prices. All of these factors need close monitoring. Domestically, attention should be paid to the ongoing drought, which may put more pressure on the farm sector, the political timetable concerning the constitution drafting process, and financial market volatility, especially with investors' expectations regarding the timing of any Fed policy rate hike.

Nevertheless, Thailand's economic stability remains sound. Inflationary pressure for 2016 should inch up only modestly to 0.4 percent (projected range of 0.0 to 0.8 percent) compared to -0.9 percent in 2015, due to limited impacts of demand- and supply-side factors, following low oil prices and slow economic recovery at home. Meanwhile, the country's foreign reserves are healthy, while its external debt remains low, with short-term debt currently represents only one-third of its foreign reserves. To this end, the Bank of Thailand (BOT) will be able to keep its policy rate at 1.50 percent to accommodate ongoing economic recovery, while coping with increasing volatility of global financial markets caused by monetary policy shifts in core economies.

- **Banking Industry, Competition and Emerging Risks**

Banking Industry and Competition

2015 was another year with numerous challenges for the Thai banking industry. The business sector saw a feeble recovery amid a sluggish economic environment. Nonetheless, signs of improvement emerged in the final quarter thanks to the government's economic stimulus efforts and budget disbursement, leading to some pickup in loan demand. Overall, loans posted slower growth over-year. With net loans of 14 domestically-registered commercial banks at the end of 2015 growing 3.4

percent, against the 4.2-percent growth at 2014 year-end, higher NPLs, commercial banks' interest rate reduction in line with the BOT's policy rate cut, and assistance measures issued by commercial banks for cash-strapped customers, net interest income grew at a decelerating rate, in tandem with net interest margin (NIM), which dropped slightly from 2014. The slowing net interest income and NIM occurred even though most banks prioritized cost efficiency, as evidenced by meager growth in deposits at 1.5 percent amid weak funding demand, down from 6.5-percent growth in 2014.

Provisions for bad debts, doubtful accounts and impairment losses rose markedly. The increase was attributed to a proactive approach vis-à-vis debt quality and a one-off factor where loans extended to large business borrowers in certain industries were classified as non-performing loans in the third quarter of 2015. Given these factors and rising operating costs, net profit of domestically-registered commercial banks in 2015 declined, over-year.

Looking forward, the Thai economy in 2016 is expected to see a brighter outlook, especially if the public sector investment – a potential key economic driver – is brought to fruition. Loans and interest income, the banking industry's core revenue, may thus enjoy marked growth. Close attention, however, should be paid to implementation of the government's policies that may dictate commercial banks' businesses, going forward. These include the National e-Payment Master Plan and change in fee structure. Amid a highly competitive environment in which other commercial banks and non-bank players have joined the competition, focus should also be on asset quality and liquidity, which may be affected by capital movements and highly-volatile asset prices around the globe, against the backdrop of uncertain economic conditions and divergence of monetary policies among the world's core economies.

As of December 31, 2015, KBank ranked fourth in assets, deposits and net loans in the commercial banking system, with the market shares of 12.98 percent, 14.21 percent, and 13.55 percent, respectively.

Within the entire commercial banking system, 19 domestically-registered commercial banks and 12 foreign bank branches hold market shares in assets, deposits, and net loans, as shown in the below table.

(Units: Million Baht)

Bank	Assets	Market Share (%)	Deposits	Market Share (%)	Net Loans	Market Share (%)
Krung Thai Bank	2,748,608	15.87	2,137,446	17.78	1,892,308	16.81
Bangkok Bank	2,742,221	15.84	2,039,108	16.96	1,718,534	15.27
Siam Commercial Bank	2,557,426	14.77	1,884,904	15.68	1,758,121	15.62
KASIKORNBANK	2,248,267	12.98	1,708,594	14.21	1,525,220	13.55
Bank of Ayudhya	1,652,551	9.54	1,052,072	8.75	1,184,913	10.53
Thanachart Bank	938,834	5.42	670,575	5.58	655,855	5.83
TMB Bank	838,233	4.84	644,730	5.36	551,743	4.90
United Overseas Bank	434,552	2.51	302,239	2.51	283,016	2.51
CIMB THAI	303,598	1.75	170,502	1.42	190,018	1.69
TISCO Bank	269,800	1.56	159,046	1.32	228,696	2.03
Kiatnakin Bank	221,472	1.28	104,781	0.87	170,602	1.52
Standard Chartered Bank (Thailand)	209,179	1.21	98,760	0.82	83,838	0.74
Land and Houses Bank	198,039	1.14	137,300	1.14	130,163	1.16
ICBC (Thai)	150,893	0.87	86,201	0.72	96,731	0.86
Bank of China (Thailand)	58,257	0.34	19,184	0.16	41,362	0.37
Thai Credit Retail Bank	32,663	0.19	26,565	0.22	26,821	0.24
Sumitomo Mitsui Trust Bank (Thai)	21,240	0.12	1,319	0.01	3,446	0.03

Bank	Assets	Market Share (%)	Deposits	Market Share (%)	Net Loans	Market Share (%)
Mega International Commercial Bank	20,520	0.12	9,366	0.08	14,749	0.13
ANZ Bank (Thai)	20,323	0.12	296	0.00	4,488	0.04
Domestically-registered commercial banks	15,666,677	90.48	11,252,988	93.61	10,560,624	93.83
Foreign bank branches	1,648,347	9.52	768,615	6.39	694,709	6.17
All commercial banks	17,315,024	100.00	12,021,603	100.00	11,255,333	100.00

Source: C.B. 1.1 (Bank-only Financial Statements)

Emerging Risks

KBank operates our business and formulates a strategic plan by taking into account emerging risks over the next three to five years. First and foremost, *economic interconnectedness* will be the name of the game. The issue involves numerous free trade agreements, especially those likely to play a greater role in the future, namely the Trans-Pacific Partnership (TPP) and Regional Comprehensive Economic Partnership (RCEP). Impacts from this risk on the Thai business sector and commercial banks may be subject to the government's stance and actions regarding these pacts. Broadly speaking, Thai businesses stand to benefit from increasing trade opportunities, while the household sector may have greater access to goods and services. On the downside, however, Thai businesses' competitiveness may be jeopardized amid direct and indirect competition from foreign rivals. This will inevitably affect domestically-registered commercial banks in their lending and offering of financial services, not to mention their mid- to long-term business strategies so as to better accommodate their domestic and foreign customers in a bigger playing field, consisting of both domestic and foreign financial institutions. At KBank, we closely monitor any changes in government regulations so that we are prepared to give our customers advice on potential effects that such changes may have on their business operations and investments. In addition, we emphasize forward-looking assessments with regard to formulation of effective strategies and risk management.

A second risk is *demographic change*. By 2022, Thailand will become an aged society. More than 20 percent of the country's population will then be more than 60 years old. This change may come with a risk – a smaller customer base and declining purchasing power among working-age individuals as a result of a lower birth rate and their increased burden in caring for the aged. This poses a great challenge to commercial banks' strategic adjustment towards loans and related fees, going forward. On the other side of the coin, banks may be able to capitalize on vast opportunities ahead, especially in advisory services, as well as saving, investment and risk management products, notably, life and non-life insurance, in response to customer needs in the aged society to come. To effectively brace for this risk, KBank has conducted studies on changes in financial business in countries with an aged society, e.g., Japan, Germany, Italy, France and Spain, to shed light on older citizens' behaviors and needs. Based on those findings, we have adjusted our products, services and access channels to more appropriately serve a coming aged society in Thailand.

Third, *technological change* is an obvious challenge. Amid the proliferation of advanced technology along with broader and faster internet connectivity, consumers have actively embraced this new phenomenon. This is reflected in their changing everyday life and the way they communicate with one another, which have been based more on online platform. There are more players in the market – both existing and new with technological expertise, such as those in e-commerce and telecommunications as well as the emergence of FinTech companies that have played a greater role in the financial sector. Given this new phenomenon, the line between financial and non-financial businesses is thus becoming blurred. To brace for this

tough challenge, novel products and services along with redesign of service channels, will be crucial so as to allow commercial banks to withstand the winds of change and remain competitive. To this end, KBank has clearly defined a ‘Digital Strategy’ in response to emerging innovations and changing consumer behavior in the digital era. Among our more notable initiatives are cooperation with start-up enterprises and investors, as well as the establishment of KASIKORN BUSINESS-TECHNOLOGY GROUP (KBTG) with an aim of developing financial innovations and maintaining our digital banking leadership.

Last but not least, *climate change* caused by global warming will adversely affect crop prices, farm output and income, as well as SME operators serving the domestic market. The nation’s energy and food security will inevitably be threatened. Commercial banks, including KBank, should not be complacent, but rather should closely monitor the situation in order to launch preemptive measures against any adverse consequences.

Regulatory Changes¹

Significant regulatory changes that may have affected KBank’s and K Companies’ business operations included:

➤ Business Security Act B.E. 2558 (2015)

Business Security Act (BSA) B.E. 2558 (2015), published in the Government Gazette on November 5, 2015, to become effective 240 days later (July 2, 2016), will allow borrowers to use other economic assets as collateral to secure loans without the need of delivering only real estate property to financial institutions. The BSA principally aims to provide businesses with greater access to funding sources. Before this new law comes into force, the only assets that can be placed as lien would be registered immovable and movable properties per Section 703 of the Civil and Commercial Code. Under this BSA, however, the types of assets that can be used as security on loans have been broadened to include:

1. *Businesses, including all related properties* used by security providers for their business operations, as well as related rights.
2. *Rights of claim*, or rights to payment and other assets such as deposits, leasehold, etc., but excluding rights over financial instruments.
3. *Security providers’ personal property*, including movable properties used in their business operations such as machinery, inventory or raw materials for production of goods. Such property as land or buildings can be placed as collateral against a loan if security providers are in a real estate business, e.g., housing project developers or those engaging in land appropriation business, etc.
4. *Intellectual property*, including copyrights, patents, trademarks and other properties as prescribed by ministerial regulations, namely concessionary rights, mineral lease or trade secrets.

Business security contracts must be in writing and registered in accordance with the terms of the BSA. Mortgaged assets, as well as amendments to the particulars of registrations and cancellations of registrations must be registered at the Security Registration Office, Department of Business Development. The Security Registration Office will also be responsible for making available to the public searchable details on business security interests. This is intended to prevent the problem on reuse of property that has already been pledged as security.

Contracting parties’ concealment of data, or providing falsified information, are therein subject to specific penalties. The BSA also indicates the rights and responsibilities of contracting parties, security enforcement procedures and contract

¹ Details related to other regulatory changes on KBank business operations during 2015 can be found in the Management Discussion and Analysis (MD&A) reports for the quarters ending March 31, 2015, June 30, 2015 and September 30, 2015.

termination, security providers' priority towards debt settlement over ordinary creditors, and also matters regarding priority right of security providers to enforce debt settlement, which are on a par with pledgee or mortgagee, as the case may be.

This BSA will be favorable to the business sector, helping mitigate security-related restrictions and also providing businesses with greater options towards collateral on loans with financial institutions. Thus, it will facilitate enterprises in accessing formal funding sources at lower funding costs. At the same time, financial institutions have more leeway towards receipt of secured assets. However, they remain at risk in setting up criteria for asset valuation, examination and collection. Credit policies must be established to determine eligibility of assets to be used as collateral. On the plus side, however, the new legislation provides swift, effective and fair enforcement of security, thus instilling financial institution confidence towards loan extension. Close attention, meanwhile, should be paid to the issuance of the BSA-related ministerial regulations that would further clarify the law enforcement procedures.

➤ **Amendment to Civil Procedure Code (No. 29) B.E. 2558 (2015)**

An Act amending the Civil and Commercial Code ("CCC") (No. 29), B.E. 2558 (2015), as published in the Government Gazette on November 19, 2015, became effective on November 20, 2015. This amendment adds a provision stipulating that proceeds earned from a public auction must include funds allocated for the payment of common area maintenance charges, or public utility management fees that remain in arrears to ensure fairness to the buyers of condominiums or land appropriated from a public auction conducted by executing officers. Previously, purchasers of auctioned property were to be responsible for such obligations in lieu of judgment debtors. The amendment is intended to mitigate hindrances to public auctioning of condominiums or allocated land so that they are disposed of in a timely manner.

The amended law may quicken the decisions of prospective buyers of properties sold on public auction and allow banks, as the mortgagee, to receive debt settlements sooner. Nonetheless, actual amount of debt received may be less than the proceeds from auction given that they will be first deducted for payment of common area maintenance charges before settlement is made to KBank.

➤ **Criteria for Undertaking Derivatives Transactions**

Bank of Thailand (BOT) issued a notification No. *SorNorSor*. 12/2558, Re: Supervisory Criteria for Derivatives Transactions of Commercial Banks, dated September 25, 2015, plus five related notifications on Permission for Commercial Banks to Undertake Transactions of Market Derivatives, Credit Derivatives and Structured Products, Risk Management of Derivatives Transactions and Minimum Requirements on Client Treatment for the Undertaking of Derivatives Transaction, to become effective on October 27, 2015. Salient points can be summarized as follows:

1. Allowing commercial banks to undertake market derivatives transactions that are commonly traded or are non-sophisticated, including credit derivatives such as Total Rate of Return from Linked Notes.
2. Expanding the scope of reference variables for derivatives transactions to include the average of reference variables and financial indices of which bank shares are among the components.
3. Establishing additional criteria for derivatives transactions linked to commodity prices that must be undertaken solely for hedging purposes either for the commercial banks themselves or their counterparties; foreign exchange pro-rata forwards are not allowed to combine with other market derivatives; and, embedded derivatives of structured products must be generally-permitted market derivatives.

4. Lowering the minimum notional value for structured product transactions from Baht 10 million to Baht 5 million, plus no requirement for a minimum of 80 percent principal-protection for structured product transactions undertaken with institutional or high net worth investors, as well as certain retail investors per BOT criteria.
5. Allowing commercial banks to undertake derivatives transactions of institutional and large corporate investors without conducting Client Suitability Test if they have signed for acknowledgement.

KBank has adjusted our operational strategies and procedures in response to these new regulations in order to accommodate financial markets expansion; necessary procedures for compliance have already been put in place.

➤ **National e-Payment Master Plan**

On December 22, 2015, the Cabinet approved in principle the National e-Payment Master Plan, which aims to transform Thailand's payment systems to e-Payment to simplify financial transactions and business activities. The move will be a key mechanism towards upgrading business sector competitiveness and people's quality of life, bringing about greater stability in our financial and fiscal management, and paving the way for elevating national competitiveness. The Master Plan comprises five major programs, namely: 1) Any ID Money Transfer, 2) Card Expansion, 3) e-Tax, 4) e-Payment Government, and 5) Market Education and Activation Program.

KBank is determined to maintain our digital banking leadership in line with technology advancement amid the changing consumer behavior and government policies promoting a digital economy, including the National e-Payment Master Plan and the Bank of Thailand's Payment Systems Roadmap. KBank has thus devised operational guidelines and upgraded our IT system to accommodate the changes. In detail:

- *Any ID Money Transfer*: KBank is developing our IT system to accommodate the Any ID Money Transfer wherein registered ID, which can be national ID or mobile phone number, is used as a reference. The program is intended to promote e-Payment and reduce the use of cash and to accommodate the distribution of government welfare funding to the general public in the future. In cooperation with other commercial banks via the Thai Bankers' Association, Any ID Money Transfer processes and conditions for registration are being established with the highest system security. Currently, systems to link the central database and payment via KBank channels as well as for Electronic Bill Payment & Presentment (EBPP) are being developed.
- *Card Expansion*: To reinforce our number-one position in the debit card market, we have expanded our debit cardholder base with the issuance of debit cards under the Local Card Scheme. In addition, the expansion of EDC service is in the pipeline to promote e-Payment, e.g., via debit cards and/or mobile phones.
- *e-Tax*: Guidelines have been established for the development of comprehensive payment systems, e.g., e-Invoicing, e-Supply Chain, e-Logistics, to assist our customers in business management. Along with this, we consistently upgrade our electronic channels to better serve our customers, while also equipping them with beneficial knowledge on the benefits, convenience and safety of electronic transactions to encourage their migration to e-Payment use.
- *e-Payment Government*: KBank has set out a plan to implement a system for customer registration with national ID that will be linked to the central database. The new payment plan is expected to accommodate direct funds transfer for welfare disbursement, for improved access to citizens in genuine need.

- *Market Education and Activation Program*: To remain at the forefront as a digital banking provider, we will be enhancing our capacities for digital banking channels to meet the diverse needs of customers. Knowledge about e-transaction safety will be disseminated to the public, to promote greater use of electronic payment.

➤ **International Financial Reporting Standards (IFRS)**

In 2015, the IFRS Conversion Project was still focused on continual management in preparation for compliance with IFRS 9 Financial Instruments, which will come into effect on January 1, 2019. Collaboration has been sought with other Thai commercial banks via the IFRS Club and Thai Bankers' Association to propose to relevant state authorities our opinions and practical issues as key considerations for the establishment of operational guidelines in accordance with the IFRS, once it becomes effective.

To prepare for that change, KBank has focused on database infrastructure to ensure that sufficient data is available for related processing and effective management.

2. Business Operations

KASIKORNBANK PCL. (KBank) conducts commercial banking, securities and other related businesses per the Financial Institutions Business Act, Securities and Exchange Act and other regulations. KBank primarily provides financial services via an extensive branch network nationwide. As of 31 December 2015, KBank had 1,120 branches, 9,349 ATMs and 2,706 cash deposit machines across the country. In addition, KBank has established overseas branch service network, i.e. one Locally Incorporated Institution (LII), six branches and nine representative offices, with operations and services centralized at the Head Office.

Income Structure of KBank and its subsidiaries

Income Structure of KBank and its subsidiaries for the years ended 31 December are as follows:

(Unit : Million Baht)

	2015		2014		2013	
					(Restated)	
	Amount	%	Amount	%	Amount	%
Interest income						
Interbank and money market items	3,897	2.64	3,303	2.38	4,302	3.58
Deposits	712	0.48	993	0.71	368	0.31
Loans (without repurchase agreements)	643	0.44	249	0.18	292	0.24
Repurchase agreements	2,542	1.72	2,061	1.49	3,642	3.03
Investments	15,173	10.29	16,240	11.71	13,602	11.31
Trading investments	319	0.22	339	0.24	329	0.27
Available-for-sale investments	4,724	3.20	7,379	5.32	6,849	5.69
Held-to-maturity investments	10,130	6.87	8,522	6.15	6,424	5.34
Loans	90,160	61.12	88,989	64.18	83,692	69.56
Hire purchase and financial lease	5,118	3.47	4,985	3.60	4,589	3.81
Others	5	0.00	61	0.04	41	0.03
Total interest income	114,353	77.52	113,578	81.91	106,226	88.29
Total interest expenses	29,341	19.89	30,446	21.95	33,429	27.79
Total interest income - net	85,012	57.63	83,132	59.96	72,797	60.50
Non-interest income						
Fees and service income	46,413	31.46	42,690	30.79	36,613	30.43
Fees and service expenses	8,887	6.02	8,746	6.31	7,803	6.48
Fees and service income - net	37,526	25.44	33,944	24.48	28,810	23.95
Gain on trading and foreign exchange transactions	8,887	6.02	6,132	4.42	5,896	4.90
Loss on financial liabilities designated at fair value through profit or loss	(6)	(0.00)	(3)	(0.00)	(18)	(0.01)
Gain on investments	785	0.53	1,183	0.85	948	0.79
Share of profit from investments using equity method	96	0.07	88	0.06	193	0.16
Dividend income	1,346	0.91	1,097	0.79	882	0.73
Net premiums earned	85,380	57.88	73,088	52.71	58,414	48.55

	2015		2014		2013 (Restated)	
	Amount	%	Amount	%	Amount	%
Other operating income	1,528	1.04	1,314	0.95	1,080	0.90
<u>Less</u> Underwriting expenses	73,039	49.51	61,319	44.22	48,685	40.47
Total non-interest income	62,503	42.37	55,524	40.04	47,520	39.50
Total operating income - net	147,515	100.00	138,656	100.00	120,317	100.00

Sustainability Development and Corporate Governance

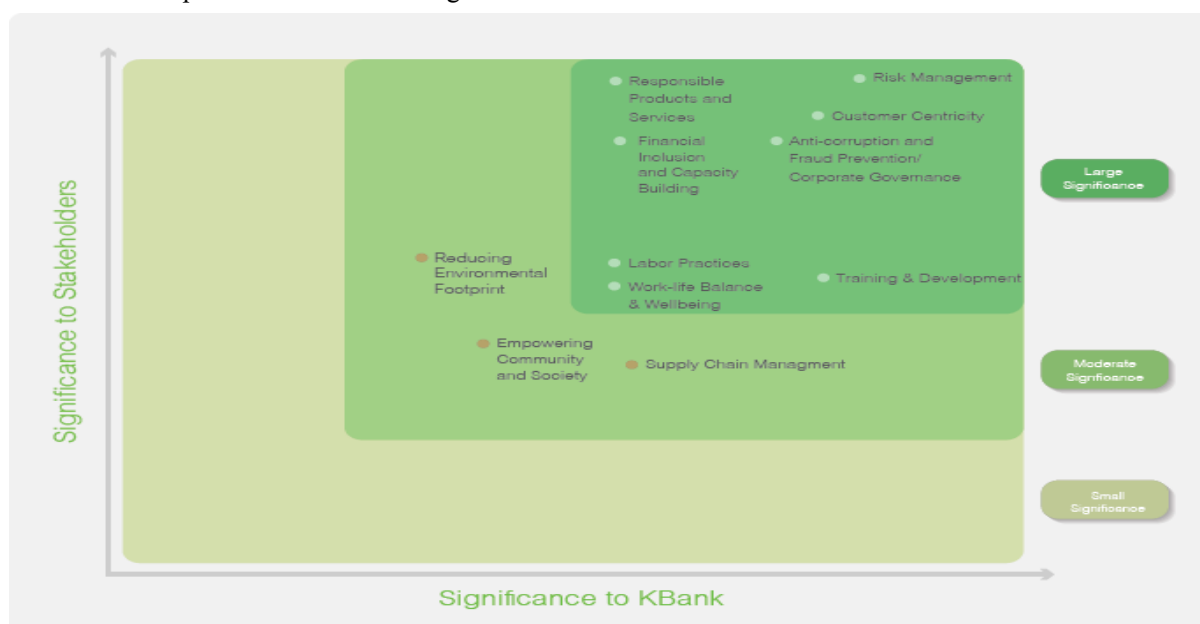
Sustainability Development in Action¹

The Board of Directors has approved policies for sustainable development as guidelines for all processes of KBank business operations which stress participation of all stakeholders within and outside the Bank. KBank places our significant emphasis on materiality assessment and this is meaningful for all stakeholders, which is an important process in operation, report preparation and information disclosure. This will make sustainable development as part of KBank strategies, aiming to become a Bank of Sustainability in 2017.

Materiality Aspects

KBank has defined extensive materiality assessment process for the Global Reporting Initiative (GRI) version G4. To this end, official meetings between KBank and stakeholders are organized to discuss in details the qualitative and quantitative dimensions of each material aspect to ensure consistency. With this systematic approach, we are able to identify, prioritize and validate the contents of material aspects that are involved with KBank's business operations and stakeholders. In addition, the approach produces efficient reporting of our sustainable development performances and assists in outlining future strategies and activities of sustainable development.

In 2015, KBank assessed the magnitudes of impact of materiality issues on our sustainability development based on information gained from stakeholders. Such an impact, categorized into three magnitudes, i.e. large, moderate and small, was assessed based on 11 aspects as shown in the diagram below:



¹ Further details of material aspects affecting KBank and stakeholders can be found in the 2015 Sustainability Report.

KBank sets our sights on steering the organization towards sustainability. By cultivating corporate culture that promotes sustainable practices into every element of our business, KBank is improving our operations in accordance with the Dow Jones Sustainability Indices (DJSI). Initiatives include an announcement of Corporate Citizenship Strategy, an appointment of the Chief Environmental Officer, a plan to reduce green house gas emissions from KBank's operations and a declaration of Supplier Code of Conduct. In 2012, KBank adopted the "Green at Heart" concept that focused on fostering staff awareness of sustainable development and responsibilities for our economy, society and environment. This notion has been wholeheartedly put into practice by our staff members; it has been well nurtured and ingrained in their consciousness. In 2015, KBank redefined the "Green at Heart" resolution as "Green DNA" to affirm that we hold fast to the concept of sustainable development based on our employees' conscience at the "DNA" level, which will be passed on to the next generation. This notion will be integrated as an integral part of our corporate culture that will serve to create our identity as a Bank of Sustainability.

Corporate Governance

KBank firmly believes that Good Corporate Governance is among the most essential elements to sustainably strengthen our performance, thereby enabling us to achieve our goals of maximizing value for our shareholders and enhancing our competitiveness. Meanwhile, our adherence to transparency and integrity at all levels within our organization assures our shareholders, investors at home and abroad, as well as other stakeholders that their confidence is well-placed.

Given our consistent emphasis on Good Corporate Governance practices, in 2015, the Corporate Governance Committee reviewed and provided recommendations on KBank's practices under the criteria of good corporate governance by the Thai Institute of Directors Association and the ASEAN Corporate Governance Scorecard. Charters of Board Committees, Statement of Corporate Governance Principles and corporate governance policies, Anti-Corruption Policy and Sustainable Development Policy were reviewed, keeping them up-to-date in accordance with our ongoing business operations and in compliance with international best practices and practical guidelines of relevant competent authorities.

KBank has placed our emphasis on the maintenance and development of our corporate governance standards. We have approved a strategic plan and activities to enhance good corporate governance practices among our directors, executives and employees. Activities include improvement of communication formats, development of training courses related to Code of Conduct and Anti-Corruption Policy via KBank e-Learning system and preparation of video presentation on anti-corruption. We also arrange each General Meeting of Shareholders with transparency and integrity, wherein shareholders are granted rights to propose an issue for inclusion in the General Meeting of Shareholders agenda and a candidate to directorship, as well as the right to submit questions before the General Meeting of Shareholders.

Business Directions of KASIKORNBANK and the Wholly-owned Subsidiaries of KASIKORNBANK in 2015, and Outlook for 2016

In 2015, Thailand's economy was adversely affected by both internal and external uncertainties amid hefty household debt. KBank thus focused our efforts on operating cost and asset quality management while also initiating assistance measures for our customers impacted by numerous downsides to sustain their businesses and financial status. We firmly adhere to a commitment of delivering quality business operations, with the purpose of achieving sustainable growth and returns over the long term. With our "Customer Centricity" strategy and efforts towards becoming our "Customers' Main Bank", we strive to accommodate their varying needs in all eight customer segments. We are committed to excellence in innovations, financial product management as well as sales and service, with our primary concern being consumer protection. These efforts aim to

deliver excellent service to our customers, under KBank's brand positioning of being an innovator seeking to boost our customers' quality of life and their business potential. This concept has been achieved by synergies between KBank, K Companies and our strategic ownership in Muang Thai Life Assurance PCL– wherein we employ timely and effective risk management.

Guided by our business strategies, KBank has undertaken various efforts to embrace new business opportunities. In detail:

- Maintaining our digital banking leadership to enhance customer satisfaction and fee income, which also comes from transaction banking – our main source of revenue.
- Establishing the Private Banking Business Division dedicated to serving our High Net Worth Individual customers under a world-class standard, through the forging of our alliance with Lombard Odier with an aim of allowing them to achieve sustainable wealth in accordance with their own wishes per the slogan, “When Your Wish is More than Wealth”.
- KBank established KASIKORN BUSINESS-TECHNOLOGY GROUP (KBTG), which comprises five newly set-up companies including KASIKORN TECHNOLOGY GROUP SECRETARIAT COMPANY LIMITED, KASIKORN LABS COMPANY LIMITED, KASIKORN SOFT COMPANY LIMITED, KASIKORN PRO COMPANY LIMITED and KASIKORN SERVE COMPANY LIMITED. The move aims to accommodate and maintain our competitiveness so that we will be at the forefront in the new playing field where technology is taking a leading role in the financial business operation, especially in the banking sector. The objectives of these companies are to conduct research and development on novel technology and business platforms as well as managing and supporting KBank's infrastructure and IT system.
- Expanding our global business by broadening KBank services to support trade and investment of our customers via KBank overseas branches and partner banks so that KBank will become a main bank for our AEC+3 customers with respect to international transactions and settlements. Notable endeavors include the development of products and services to serve the needs of customers branching out into our neighboring countries, introduction of an international funds transfer system, and upgrades of our Chinese branches to be Locally Incorporated Institutions (LII).

Beyond our business strategies, KBank places equal importance on proactive credit and operational risk management using an integrated approach. To this end, principles and policies for management of all risk have been established for efficient capital management, while a culture of risk awareness has been instilled organization-wide to maintain the financial stability of KBank, as a leading financial institution, to cope with economic volatility in a timely manner. We always adhere to good corporate governance practices, and perform in strict compliance with relevant laws and regulations.

With regard to our supporting tasks, KBank emphasizes long-term competitiveness in harmony with our business directions that focus on improvement of customer service processes, cost-efficient internal work processes, as well as information, human resource and IT management system.

Furthermore, it is KBank's firm intent to ingrain the sustainable development concept in the conscience of all employees at the “DNA” level, which will be passed on to the next generation per our “Green DNA” resolution. This notion will be integrated as an integral part of our corporate culture that will serve to create our identity as a Bank of Sustainability.

For business direction in 2016, KBank will focus on four key strategies:

1. To attain Main Bank status for all customer segments with strong brand positioning
2. To maintain leading position in digital banking

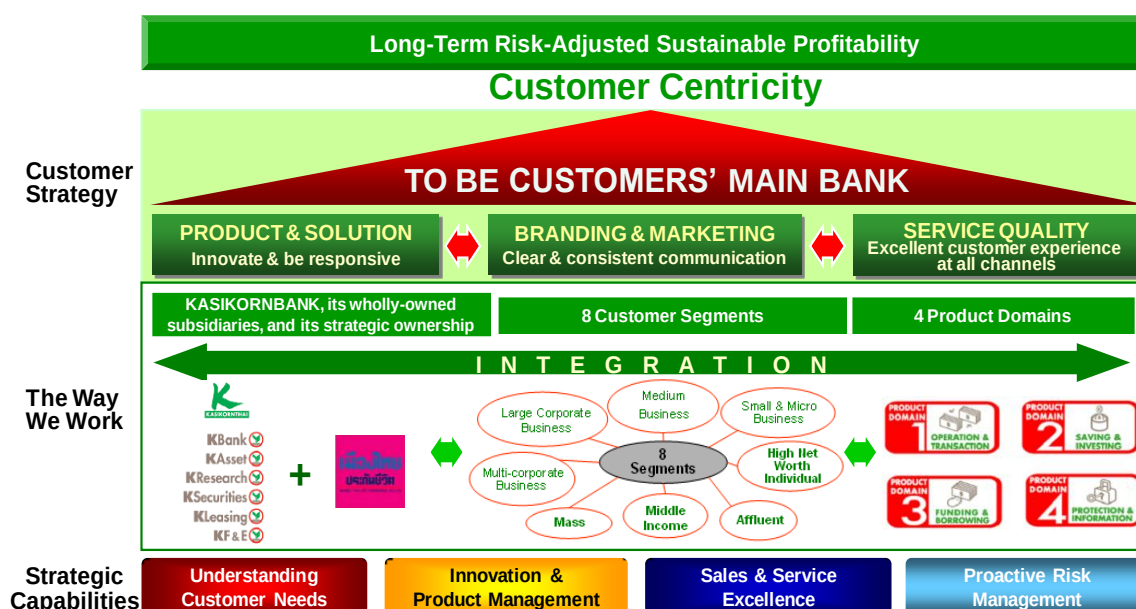
3. To affirm our commitment to service excellence in business operations and to enhance our market position
4. To become the “AEC+3 Bank” to capture AEC growth opportunities plus China, Japan and South Korea

KBank business strategies aim to provide a complete suite of services to our customers, in alignment with the specific needs of each segment.

- Corporate customers: Emphasis is on advisory and investment banking services; we provide strategic advice and value-added assistance for our customers, from upstream to downstream, along with financial services to match each stage of their business, through transaction and digital banking innovations plus excellent products and services.
- SME customers: Striving to hold on to our market-leading position, KBank has retained our existing customers and acquired new ones with potential throughout value chains via our Total Product Solutions. We are committed to becoming a main bank for all customers and embracing a digital technology platform to better suit the needs of our SME patrons.
- Retail customers: KBank aims to remain at the forefront in accommodating customers’ financial transactions. Digital platforms have been adopted to create a new customer experience consistent with their lifestyle. We have undertaken initiatives to upgrade service quality and financial advice, enhance our private banking service in terms of advice, products and services to better match the desires of our High Net Worth Individual customers, and increase financial convenience for our foreign and cross-border clients, which are likely to be on the rise.

Regarding our global business, KBank has emphasized our operation within the AEC+3 countries and guided our business directions in line with prevailing regional trends. Through KBank branches and partner banks, we have strived to fully meet cross-border customers’ needs, especially through digital technology innovations to support international settlement. Upgrades and expansion of KBank overseas branches have been targeted; notable efforts include upgrades of Chinese KBank branches to locally incorporated institutions, opening of new branches in Laos and Cambodia, and a plan to launch new overseas offices in Vietnam and Myanmar.

To upgrade our service quality and operational efficiency for excellent service delivery to all customer segments, KBank pursues resource management for the highest benefit. IT and information management has been made a focus through the setting up of infrastructure and adoption of appropriate tools. With regard to human resource management, we have concentrated on employee potential enhancement, leadership development, organizational culture creation and staff productivity, along with performance and operating cost management.



Customer Segments and Services

- **Multi-Corporate Business**

Despite the impacts of slackening economic growth in Thailand and around the globe, as evidenced by a fragile Chinese economy and sluggish international trade in 2015, our Multi-Corporate Business customers continue their investment plans both domestically and abroad, especially within the ASEAN region. KBank continues providing them with appropriate investment and trade business solutions. Therefore, our international trade transactions remain solid amid a volatile global financial environment. On the domestic side, businesses were seen to slow amid a faltering economy. In the third quarter of 2015, we completed major upgrades to our core banking platform via the K-Transformation Project. These endeavors have enhanced efficiency in our digital banking services, enabling our customers to conduct transactions more conveniently, and also elevate their competitiveness. Our domestic transaction growth, moreover, achieved the set target.

Throughout 2015, we have focused on providing transaction banking products along with appropriate risk management tools. We also focus on providing value chain solutions for our customers and their business partners in the consumption and services, infrastructure and construction clusters. Overall, KBank business, as a result, continues to grow along with our customers who remain financially strong.

One notable effort was the introduction of payment services for bidding documents on government procurement projects via digital links between KBank and the Electronic Government Procurement (e-GP) system of the Comptroller General's Department. The new service enables our customers to register online via the e-GP and use a pay-in slip to make such payments at any KBank branch nationwide; our services also grant our customers instant access to Term of Reference (TOR). This initiative was extended from our K Electronic Letter of Indemnity for Electronic Government Procurement ('K e-LI for e-GP') to better address our customers' needs.

To capitalize on potential growth opportunities in telecom business, KBank has supported our clients in telecom business with Letter of Indemnity (LI) product and other relevant services for the auction of 4G mobile data service licensing on the 1800MHz and 900MHz bands. We also provided financial advisory services to Origin Property PCL, and JWD InfoLogistics PCL – two of our customers in real estate business seeking to list on the Stock Exchange of Thailand (SET) and issue new initial public offering (IPO) shares to the general public – as funding for their business expansion.

- **Large Corporate Business**

Although the global and Thai economies have been recovering gradually, they are still facing a series of tough challenges. KBank has realized that risk mitigation tools are necessary for our customers' cost and liquidity management given the current situation. Depending on customers' needs and market timing, KBank has offered advisory service and total solutions on risk protection, e.g., derivatives and insurance products to our customers via professional relationship managers (RMs).

In this quarter, KBank introduced payment services for bidding documents on government procurement projects via e-GP. Given technological advancement, KBank is able to uplift our customers' convenience in doing business transactions with the government. To support our customers' international expansion, KBank also expanded the scope of same-day outward remittances to cover Vietnamese Dong (VND) to facilitate trade transactions with Vietnam country, that have been on the rise after the AEC inception, and the Russian Ruble (RUB) to serve Thai corporations seeking to access the Russian market. Moreover, KBank has continuously offered financial advisory services to customers in the agro-processing industry and others to enhance their financial management and competitiveness in a bigger playing field.

Going forward, network connectivity and digital technology will be one of the key success factors in doing business. Therefore, KBank organized a ‘Power of Digital for Value Chain’ seminar where large corporates who have been experiencing the transformation of value chain in digital economy were invited as speakers. The objective of this seminar was to inspire participants on how to adopt technology into value chain for a more effective management and cost saving. Also, KBank has developed innovation value chain solutions for both customers and their trading partners for the digital economy era.

- **Medium Business**

Adhering to our Customer Centricity strategy, we continue to pursue “K SME Full Support for SME” that offers our customers assistance at all stages of their business operations, helping them to attain sustainable success. This service has been realized with the aid of our quality RM teams and reliable financial advisors, through which we present “Total Product Solutions” for entire business chains. Therefore, they will have KBank as their “Main Bank”. In 2015, KBank joined the Soft Loan program, a collaborative effort between Government Savings Bank and commercial banks, to provide working capital for SMEs. Additionally, we improve customers’ competitiveness via access to advanced business information, guidance and networking to help them reduce operating costs. While more time is now spent on customer visits, we have improved end-to-end credit approval process for better efficiency.

- **Small and Micro Business**

“K SME Full Support for SME” has been implemented to assist both new and existing Small and Micro business customers, based on their needs and financial limitations. With our prudent credit policies, new loan products and financial services are being offered. Among the more notable programs, which are aimed at providing our clients with working capital, are “Loan Exceeding Collateral Value, with Guarantee by the Thai Credit Guarantee Corporation, Phase 5”, “Loan for Merchants under the Suan Lum Night Bazaar Ratchadaphisek Project” and “Micro Loan” for small business owners along with streamlined credit underwriting process for faster approval.

Assistance has also been given to customers affected by the economic slowdown, including financing under the government’s Soft Loan program for SMEs and such accommodations as suspensions of principal repayments, extended installment terms, interest rate cuts and added working capital to increase their liquidity. In our continuity to develop our card-accepting merchants, KBank is the first in Thailand that accepts “MasterCard PayPass” while our K-PowerP@y (mPOS) has been enhanced to accommodate Multi-Merchant payment processing (which allows merchants to maintain an unlimited number of merchant accounts in a single mobile phone) and also SmartPay transactions.

Along with those endeavors, study courses were organized to improve SME business expertise and inspire them in order to bolster their competitiveness. Among those programs were an online seminar, “SME Webinar”, and a TV variety show, “SME Tee Tak”. Customers’ business networks have also been strengthened via our business matching activities aimed at advancing their knowledge and skills in preparation for future growth.

- **High Net Worth Individual**

We give priority to the development of KBank Private Banking, raising our service quality to heighten competitiveness amid an intensifying rivalry among financial institutions which are scrambling for a bigger share of the High Net Worth Individual market. We are now competing with not only domestic peers but also the world’s leading financial institutions with long experience in private banking business. KBank’s collaboration with Lombard Odier, since December 2014, represents our steadfastness in going global. Throughout 2015, KBank established cooperation in various projects to develop products and

services that respond to wide-ranging and increasingly sophisticated financial and investment demand. We provide professional advice on investment both at home and abroad, living up to customer expectations in rate of return and risk hedging against current volatility in financial markets. In detail:

1. Collaborative effort for investment analysis and advice

KBank Private Banking's consulting team, together with Lombard Odier's research team, improved the K-Alpha report, which provides basic information for staff on which they base their advice to customers, covering both domestic and international investment.

2. Money forums for KBank Private Banking clientele

To keep our customers abreast of accurate and updated investment information for domestic and international markets, experts were brought in to impart their valuable knowledge on portfolio management in response to current market circumstances. We also staged the KPB Academy activity for KBank Private Banking customers. The program focuses on general know-how and preparation steps for business successors, consisting of classroom learning which readies participants for their parents' business transition, and experiential learning which includes social activities as well as a field trip to Lombard Odier in Singapore. The program was well-received by the customers.

3. Introduction of new investment products for KBank clients

KBank and KASIKORN ASSET MANAGEMENT CO., LTD., rolled out K Strategic Global Multi Assets (K-SGM) - a mixed fund with risk diversification - managed in accordance with guidelines of Lombard Odier for managing global portfolios, which are suitable for the ebbs and flows of market conditions.

- **Affluent**

KBank pursues business strategies that help us retain our customer base with portfolio quality improvement while also reaching out to new clientele in major provinces across the country, including foreign nationals and those in certain professions. We underline the significance of maintaining our "THE WISDOM" brand as the top-of-mind brand of our Affluent customers. Ongoing efforts have been made to strengthen customer relationships that can make KBank their "Main Bank".

In 2015, KBank concentrated on development of our RMs so that they are able to provide our customers professional financial advice at world-class standards. Another major focus was the introduction of an immense variety of products that generate appropriate returns within an acceptable risk appetite. Teaming up with KAsset, we launched 109 mutual funds to all customer segments. Specifically designed for our Affluent customers were the *K Enhanced Foreign Fixed Income Fund* with different maturities, and *K-SGM* – a mixed fund launched in cooperation with Lombard Odier, our partner bank which is well-versed in this area. We also introduced high-rate fixed deposits to our Affluent and High Net Worth Individual clients to replace the matured products, as part of our customer relationship management (CRM) effort. As a saving alternative for our customers, we also launched *Pro Saving 410 (Paid Up)* and *Pro Saving 1/5* among our prominent insurance products. Furthermore, many superior privileges under KBank THE WISDOM Card were meticulously catered to our Affluent clients. Another notable endeavor was the debut of the big campaign of 2015 – "K-Credit Card: Your Spending Companion", aimed at promoting daily spending with the K-Credit Card.

To expand our customer base in large provinces across the country, including foreign nationals and those in specific careers, KBank highlighted our THE WISDOM brand to maintain top-of-mind awareness among our Affluent clients. To this

end, exclusive experiences for THE WISDOM cardholders were pursued. Notably, we opened various THE WISDOM lounges to provide convenience and privacy for customers, i.e., *K-Med Club by THE WISDOM*, exclusively for physicians, *THE WISDOM Lounge @ EmQuartier* and *THE WISDOM Lounge @ Suvarnabhumi Airport* – the first such lounge provided by a Thai commercial bank. Moreover, various exclusive activities were organized to offer excellent opportunities for these customers to socialize with one another.

- **Middle Income**

Using strategies to create top-of-mind awareness, KBank aims to become a long-term Bank of Choice. We have focused much of our effort on expanding our customer base upcountry, while also strengthening our “THE PREMIER” as an exclusive brand for new-generation customers whose investments range between Baht 2-10 million.

In 2015, we remained committed to the strategy of being our customers’ main bank for such transactions as deposits, investments, loans as well as other financial transactions. Customer behavior studies were regularly conducted to shed light on the needs of all customers. Among the notable products for Middle Income clients was *Super Taweessup Special Fixed Deposit*, which aims to promote regular savings among the general public. To serve our customers’ investment demands, we introduced *DIY Target Fund* on K-Cyber Invest, which allows investors to make an investment plan to achieve their target, as well as mutual fund buying and selling service on smartphones via *K-MOBILE BANKING PLUS* in response to the digital era. Meanwhile, both short- and long-term life insurance products were offered, including *Short-term Saving*, *Big Rebate (Pro Saving 710)*, *Pro Life 99/9* and *Pro Life 99/19*. Other outstanding new products and services included the launch of the *Siam Pic-Ganesha Debit Card* and the *REWARD PLUS* campaign with an aim of expanding the new customer base and promoting financial transactions including funds transfer and bill payment via K-MOBILE BANKING PLUS and K-Cyber Banking, as well as The “*Come Pay Your Bill Quickly: Doraemon Magic Gift 2015*” program – which was extended for the third year running – to promote bill payment transactions via all KBank channels.

Meanwhile, we continually teamed with our business partners to organize marketing activities, including those on digital platforms, so as to broaden our customer base and promote the use of KBank services. Various promotions were staged for our home, credit card and personal loans. Among the notable initiatives were special interest rates for K-Home Loan, complimentary gifts for K-Home Loan customers, the “*Pre-Post Finance Program*”, and discounts offered for installation of the SolarEco System – a solar panel rooftop – as part of our effort to reduce global warming. For our K-Home Loan customers, “Home Protect Plus” was introduced to provide them protection against natural disasters and burglary in addition to fire insurance, along with marketing activities under the “*Apply for K-Home Loan Online...Get Free Gift Vouchers*” campaign. In addition, we launched “K-Credit Card: Your Spending Companion” – our big campaign of 2015 – to promote daily spending via numerous types of our K-Credit Card, in addition to co-promotions launched with our business partners to spur the market at year-end. Another notable effort was “*K-Express Cash with Teddy House design*”, a cash card bearing a copyrighted design that offers an emergency line of credit, which was debuted together with a campaign to promote full payment via our Auto Payment service. Moreover, our Payroll customers using K-MOBILE BANKING PLUS are able to apply for K-Personal Loan via K-MOBILE BANKING PLUS on mobile phone – a newly developed service channel for personal loan application. Against the backdrop of an economic slowdown, especially hefty household debt, however, KBank has adopted a more cautious stance in offering our loan products, focusing mainly on clients with potential for the sake of our sustainable growth.

To embrace new customers, KBank organized special activities for our THE PREMIER customers to grant them exclusive privileges, such as seminars on financial and investment planning and a variety of workshops. Emphasis has also been placed on advisory services for each individual client through the launch of K-Expert Center – the first comprehensive financial advisory service center in Thailand – in the Chamchuri Square building.

- **Mass**

KBank remains faithful to the strategy of top-of-mind public awareness to achieve our goal of becoming the “Main Bank” of customers. We aspire to attract promising Mass customers who are targeted to become our Middle Income clients in the future. KBank continued to expand our new customer base – especially in upcountry provinces – via marketing activities, and novel products and services including e-Services that resonate with the lifestyles of customers in each segment.

In 2015, KBank concentrated on expanding our customer base into other provinces, with an aim of upgrading them to Middle Income customers. To this end, the “*KBank Football Club Debit Card*” was introduced to offer football fans special privileges of each football club and participating merchants in the teams’ respective provinces. Other outstanding products and promotion campaigns included “*K-DEBIT 7PURSE*” – initiated for payment of goods at any 7-Eleven outlet, “*Khun Tongdaeng The Inspirations Debit Card*”, as well as “*The Joyful Festival with KBank 3 Cha Carabao*”, a localized campaign under the entertainment marketing effort that was launched for our MA and MI customers in 50 provinces nationwide during the first half of 2015.

Reaching out to younger-generation customers, KBank launched the “*Super Junior Deposit*” program, which is targeted to those less than 18 years old in order to instill saving discipline among children. Meanwhile, *non-life insurance products in different packages* were offered in response to the diverse needs of our clients. Among them are motor vehicle, personal accident, international travel and burglary insurance. These products are designed in accordance with three major concepts: “easy and simple”, “affordable” and “matching all customer segment needs”.

At the same time, numerous marketing activities to highlight KBank’s image were staged among Thailand’s leading companies and universities, as part of our CRM efforts, in order to attract their personnel to use KBank as their main bank. We also developed electronic service channels to accommodate our customers’ lifestyles with enhanced security, through the introduction of “*Pay PLUS*” – another K-MOBILE BANKING PLUS app which is a payment innovation – the first of its kind in Thailand, initiated under the cooperation of our business partners which are leading companies in various industries. In collaboration with Wing (Cambodia) Limited Specialised Bank (Wing), KBank also developed the Cross-Border Payment Solution, featuring a funds transfer service to Cambodia via K-MOBILE BANKING PLUS.

- **Service Channels**

To raise our capacity to reach our customers and deliver excellent service to them, KBank is committed to developing efficiency in all our core service channels. In 2015, new and fascinating services were added, including:

(1) **Branch Network:** Key initiatives for branch network management in 2015 included:

- **Domestic branch network:** Enhancement of quality in our sales and service at branches was a major focus. Previously, we emphasized branch expansion. Now, KBank branch network has achieved full coverage in strategic locales nationwide, especially in the more viable locations in response to our customer needs and lifestyles. Nonetheless, we continually add “Thematic Branches”. Our latest development was the redesign of Phuket Branch to become an *iconic banking landmark* with a cultural theme, wherein activities beyond financial services are organized for our customers. Also, a *Central Festival*

East Ville Branch was opened – another thematic branch – which is decorated with elaborately designed furniture in a modern loft style. Other branches in different styles were also opened, including THE WISDOM Service facilities, *K-MED Club* by THE WISDOM and *K-Express Credit Center*, totaling 12 locations, which were all categorized as general branch platforms per BOT conditions.

- **International branch network:** A representative office was opened in Jakarta, Republic of Indonesia. KBank has a policy of building customer bases within AEC+3 to respond to those seeking to branch out into other ASEAN countries in alignment with the Thai national agenda to embrace the AEC.

Branches and Financial Service Offices/Centers

Domestic Branches and Financial Service Offices/Centers	Number of Locations		Electronic Banking Services	Number of Units	
	2015	2014		2015	2014
Branch Network	1,120	1,124	Self-Service Channel (K-ATMs and K-CDMs)	12,055	12,628
Foreign Exchange Booth	159	163	K-ATMs	9,349	9,853
THE WISDOM	105	100	K-CDMs (Cash Deposit Machines))	2,706	2,775
Corporate Business Center	8	8	K-PUMs (Passbook Update Machines)	1,273	1,308
SME Business Center*	121	120	Branches and Overseas Service Network:		
International Trade Service Center	58	62	□ Locally Incorporated Institution	1	1
Cheque Direct Service	32	33	□ Branches	6	6
			□ Representative Offices	9	8

Note: * Excluding International Trade Service Centers. More than one SME Business Center may be located in a single branch.

(2) Electronic Network comprises:

- **K-ATMs and K-CDMs: Service efficiency enhancement was a major focus.** Notable efforts included machine relocations to more appropriate and accessible locales, removal of worn-out machines, upgrades in self-service machines for chip card compatibility per BOT policies and encouragement of customers to use self-service machines. Upgrades were also carried out on K-My ATMs, which can now support 12 languages in preparation for service to AEC customers.

- **Digital Banking Services:** Service efficiency enhancement on our three major digital banking services, i.e., K-Cyber Banking, K-MOBILE BANKING PLUS, and K-Payment Gateway included:

- 1) **K-Cyber Banking:** *K-Cyber for SME* was launched for our K-SME customers, individual and corporate, with up to a 10-million Baht limit on funds transfer, mobile top-up and bill payment, plus QR Scan OTP (One Time Password) – an innovative function of K-Secure application on mobile phone available to ensure the highest system security. *Securities trading account opening via K-Cyber Banking* was also introduced to our customers.
- 2) **K-MOBILE BANKING PLUS:** *Mutual Fund on K-MOBILE BANKING PLUS* was debuted for customers seeking to buy or sell mutual funds on mobile devices; payments on Long-Term Equity Fund (LTF) and Retirement Mutual Fund (RMF) purchases can be made via a K-Credit Card. Also, *K-Personal Loan on Mobile* caters to our Payroll customers and those using K-MOBILE BANKING PLUS in its initial stage. Meanwhile, we added *PayPLUS* – a bill payment service via mobile phones on our K-MOBILE BANKING PLUS app. Other noteworthy services included *K-Expert MyPort* that shows all customers' financial assets on their mobile device, plus *statement inquiries* via K-MOBILE BANKING PLUS.

3) K-Payment Gateway: “Duty-Free Shopping Online” via K-Payment Gateway was jointly launched with our business allies to facilitate Chinese tourists in purchasing duty-free products via www.kingpoweronline.com before their departure. They can then obtain the goods by presenting e-receipts at the Pick-up Center within the departure hall of the passenger terminal at Suvarnabhumi International Airport or Don Mueang International Airport. Moreover, seminars were staged to endow our customers with knowledge about our online payment services, e-Commerce and e-Banking, along with ongoing campaigns to promote greater use of them.

- **K-Contact Center: We have enhanced service to better serve our customers.** To this end, an “Investment Advisory Center” was opened as an added channel for mutual fund investment, wherein our officers – holding an Investment Consultant License – are stationed to provide relevant advice. In addition, K-Contact Center acts as a coordinator for our customers calling them about lost items such as credit cards, and our IVR service on the Platinum Contact Center was upgraded to better respond to customer needs.

Awards and Commendation

Through these efforts, KBank and K Companies have achieved good business performance, earning the recognition of various organizations at home and abroad, proven by many awards granted during 2015, notably:

Awards to KBank and K Companies
- Two awards from Alpha Southeast Asia magazine: Best Bank in Thailand and Best Cash Management Bank in Thailand. Best Local Trade Finance Bank in Thailand from the GTR Asia Trade Finance Week 2015 organized by Global Trade Review magazine. - Two awards from The Asset Triple A Treasury, Trade and Risk Management Awards 2015: Triple A Trade Finance Bank in Thailand and Triple A Cash Management Bank, organized by The Asset magazine. Best Cash Management Bank in Thailand, by The Asian Banker journal. Straight-Through Processing Excellence Award from Deutsche Bank. Best Retail Bank in Thailand, for the sixth consecutive year from The Asian Banker International Excellence in Retail Financial Services Awards 2015, organized by The Asian Banker journal. - Three awards from The Thai Bond Market Association: Best Bond House, Best Bond Dealer, and Bond Switching (Deal of the Year). - Three awards from the Asian Banking & Finance magazine: Domestic Retail Bank of the Year – Thailand, Online Banking Initiative of the Year – Thailand, and Best Branch Innovation of the Year – Bronze. - Two awards from the 2015 Cards & Electronic Payments International (CEPI) Asia Awards, co-organized by Cards International and Electronic Payments International journal: Best Card Design Asia-Pacific and Highly Commended: Best Credit Card Offering – Thailand. - Best Payment Service Provider from the BOT Conference on Thailand’s Payment 2015, by the Bank of Thailand. The Champion Security Award from the Visa Security Summit. IR Magazine Global Top 50 – Silver from the Global Investor Relations Forum, by IR Magazine and the US-based National Investor Relations Institute. Best IR by a Thai Company from IR Magazine Awards – South East Asia 2015 by IR Magazine ASEAN Corporate Governance Awards - Top 50 Publicly Listed Companies from ASEAN from the ASEAN Corporate Governance Conference and Awards, organized by Philippine Securities and Exchange Commission and ASEAN Capital Markets Forum (ACMF). Platinum Awards 2015 – Financial Performance, Corporate Governance, Social Responsibility, Environmental Responsibility and Investor Relations from The Asset Corporate Award, by The Asset magazine. Thailand Sustainability Investment 2015 from the SET Sustainability Awards 2015, by the Stock Exchange of Thailand. Outstanding Sustainability Report Award from the Stock Exchange of Thailand, Office of the Securities and Exchange Commission,

Awards to KBank and K Companies

Thaipat Institute, and Thai Listed Companies Association's CSR Club.

- Three awards from the 12th SET Awards 2015: **Best CEO Award** presented to Mr. Banthoon Lamsam, KBank Chairman of the Board and Chief Executive Officer, **Outstanding Company Performance Award**, and **Outstanding Investor Relations Award**, organized by the Stock Exchange of Thailand and Money & Banking magazine.
- **Excellent ESCO Financial Supporting Awards 2015, for programs supporting energy efficiency businesses and market under ESCO mechanism**, from the Department of Alternative Energy Development and Efficiency, the Ministry of Energy and the Institute of Industrial Energy, the Federation of Thai Industries.

KAsset

- Four awards from The Asset Benchmark Research Awards 2015 by The Asset magazine: **Top Investment House in Asian Local Currency Bonds 2015, Thailand**; **Most Astute Investors in Thailand 2015 (First runner-up)**; **Most Astute Investors in Thailand 2015 (Second runner-up)**; **Most Astute Investors in Thailand 2015 (Eighth runner-up)**
- Two awards from Asia Asset Management journal: **Best Fund House (Thailand) and Most Innovative Product (Thailand)**
- **Bond Fund Award 2015, Thailand Mid/Long Term Bond Fund K- Fixed Income Fund**, from the Stock Exchange of Thailand and Morningstar Research (Thailand).
- **Outstanding Asset Management Company Awards** from the 12th SET Awards 2015, jointly organized by the Stock Exchange of Thailand and Money & Banking magazine.
- **Best Mutual Fund of the Year for Money Market General 2015**, from Money & Banking magazine.
- **No.1 Brand Thailand 2014-2015 in the mutual fund category** from Thailand's Marketeer magazine.

KSecurities

- Two awards from the Stock Exchange of Thailand: **Award of Honor for 2015 for Continuous Excellence in Retail Investors (Securities Company) and Best Derivatives House Award**.

3. Risk Factors

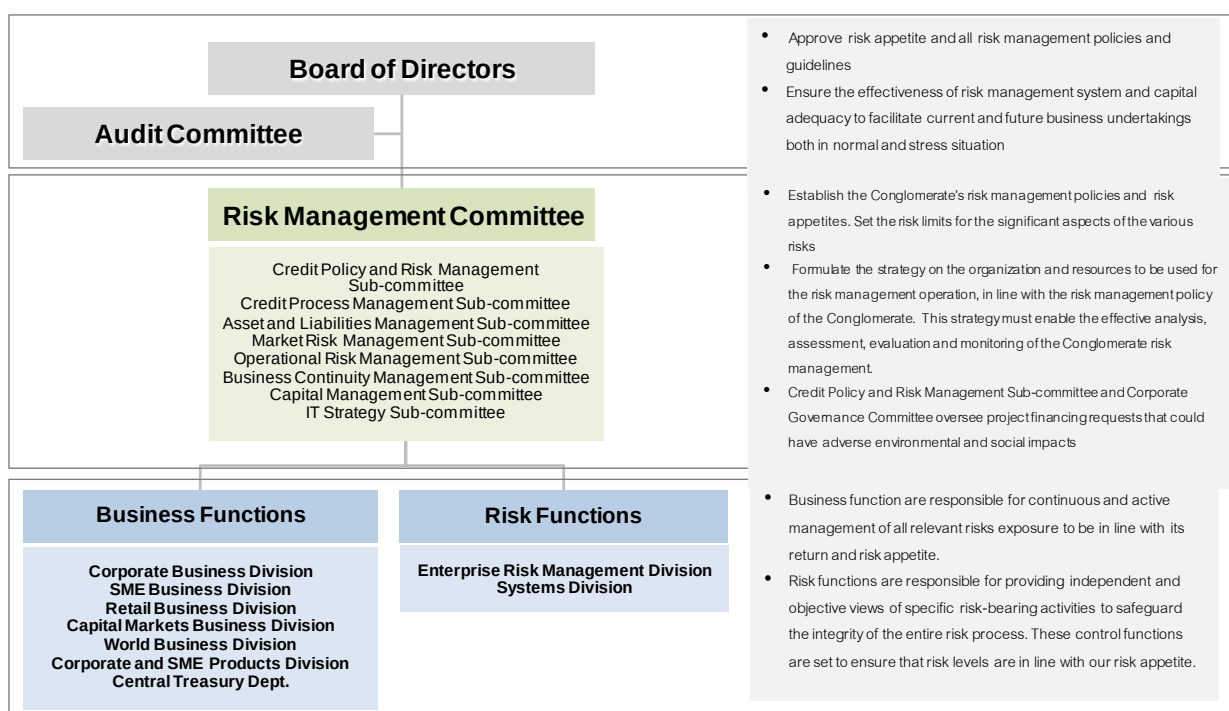
Overall Risk Management

KASIKORNBANK's risk management strategy has been established in line with international guidelines and principles, and applied throughout KASIKORNBANK FINANCIAL CONGLOMERATE (the Conglomerate), to support business growth, ensuring sustainable profitability and maximization of returns to shareholders and investors. We engage in a consolidated risk management framework that emphasizes management of major risks, e.g., credit, market, liquidity, operational, strategic and other risks. We also emphasize thorough, accurate and regular disclosures on risk management and capital to the public.

Regarded as an integral part of our organizational culture, KBank has established risk management policy, together with risk appetite and risk management guidelines at the Board and Senior Management levels. Potential risks are taken into account when formulating our strategies and business undertakings.

KBank's risk management structure clearly determines duties and responsibilities of relevant units, including an independent risk management unit. Risk-adjusted performance measurement has been applied with each business unit. KBank has encouraged our employees at all levels to adhere to procedures, regulations and the Code of Conduct. In 2015, KBank formulated a Conduct Risk Management Policy and provided appropriate whistle-blowing channels and also organized training on risk management for employees.

KBank's risk management and capital management is under the supervision of the Board of Directors, which is responsible for ensuring adequate capital and managing capital adequacy assessment process to accommodate our present and future business operation. Meanwhile, Senior Management ensures that policies, processes and systems for controlling, monitoring and reporting risks and capital are in place and align with the Pillar 2 framework whereas segregation of duties and reporting lines are clearly defined in conformity with the good internal control principle.



Key Developments to Strengthen Risk Management

KBank places a great emphasis on effective and timely risk management. In 2015, risk management policies, tools and processes have been enhanced to guard against rising risk trends such as household debt, domestic political uncertainty and global economic policies. Those efforts included:

- Used transactional data to develop Early Warning Signs for enhanced efficiency in risk monitoring and portfolio management.
- Developed a risk framework for project finance or Offshore Lending Business in response to business growth within the AEC.
- Applied Value-Based Management (VBM) to credit risk management by setting the direction of loan growth and business targets for customers and products: A capital management plan has been devised to ensure adequate capital in all situations to achieve the the highest value for our shareholders. A mechanism has been set up to monitor the use of KBank capital for the highest efficiency in portfolio management via Active Credit Portfolio Management (ACPM).
- Developed a system to better detect fraud in SME and home loan applications, as well as for credit cards and K-Express Cash (KEC) product, including internal fraud.
- Monitored our reputational risk status to effectively manage risk that could occur within social media and from customer complaints via various channels.
- Monitored our risk management status and IT Key Risk Indicators as well as devised action plans to prevent or mitigate IT risk.
- Upgraded control processes and prepared BIBOR Procedures per BOT criteria to ensure that the supervision and submission of BIBOR is efficient, appropriate to the situation and in accordance with international best practices.
- Developed risk indicators and other tools to analyze and control operational risk, including trading room fraud, to ensure greater effectiveness, comparable to international practices. A Trade Surveillance Tool was developed to analyze data, thereby detecting signs of potential fraud in trading room; a fraud stress testing was also set up to enhance KBank's efficiency in assessing such risks and limiting potential losses.

Risk Management

KBank has placed an emphasis on comprehensive risk management whereby credit risk is the major risk type. Other risk types such as credit concentration risk, market risk, liquidity risk, operational risk, strategic risk and other risks are also covered and properly managed.

• Credit Risk Management

Credit risk refers to risk whereby a counterparty or borrower may default on contractual obligations or agreements, or have an intention to not abide by an agreement, resulting in losses to KBank. We thus place significance on credit risk management compatible with international standards and regulatory requirements to ensure sustainable growth and reasonable returns to shareholders and investors.

In 2015, KBank placed an emphasis on creating a balance between our services and credit risk management within each customer segment. Amid economic sluggishness and uncertainties at home and abroad, along with concern towards rising household debt and drought, we put in place more stringent customer screening criteria. In particular, stricter requirements have

been set for small and micro business as well as retail customers that have exhibited a rising risk trend, while we have sought customers with stronger financial status and sound debt servicing capabilities. We have also accumulated data based on early warning signs and behavior monitoring towards customer asset quality to monitor and manage these credit risks in a more efficient manner.

Credit Risk Management Process

A credit risk management process, from portfolio management to debt collection, has been established and continuously enhanced to appropriately reflect risk factors, as well as promoting capability for business.

Portfolio Management

In 2015, KBank emphasized active portfolio management based on risk factors and risk events, particularly economic factors that could affect our customers or our portfolio status. Via active credit portfolio management and stress testing, we ensured timely portfolio management towards any deviation against our planned targets. Meanwhile, we targeted our loan growth in alignment with prevailing economic conditions, taking into account our customer segments, product domains and industries, to maximize returns from each customer segment portfolio under defined risk appetite.

KBank has focused on portfolio management so as to control credit concentration within the established limit. Close monitoring of customer risk profile across industries has been undertaken through the establishment of factors for credit quality monitoring in different perspectives such as customer segments, product domains and industries. Over the past year, we maintained loan concentration within an acceptable level.

We have adopted credit risk management mechanisms as follows:

- Risk management has been overseen by Credit Policy and Risk Management Sub-committee and Credit Process Management Sub-committee to ensure efficiency and effectiveness in all relevant processes, thus allowing KBank to deliver a good customer experience and appropriately creating balance between risk management and credit process efficiency
- Customer screening criteria have been revised on a regular basis to reflect their risk profile. Credit policy has been tailored for each customer segment while pre-screening criteria have been established and industries are classified based on their risk level as a guideline for customer selection.
- A risk management mechanism has been established in response to risk events which may affect our customers. Potentially affected customers shall be identified and in-depth analysis and stress testing shall be conducted to assess the impact. KBank shall proactively prevent and solve any problems which may arise in a timely manner prior to deterioration of customers' debt servicing capability and overall credit quality of KBank.
- Customers' credit line utilization has been reviewed while customers' risk profile and behavioral scores have been monitored via early warning signs. Guidance has been provided for Relationship Managers (RMs) to contact customers at the early stage when unfavorable signs are detected.
- Credit concentration, both large borrower concentration or sectoral concentration, has been effectively managed so that exposures are within limits. KBank adheres to BOT Single Lending Limit (SLL) framework and Pillar 2 credit concentration guideline. As of December 31, 2015, large borrower concentration was within the established limit. Industry concentration has been closely monitored taking into account of trend of industry growth and capital impact

Credit Underwriting and Approval

KBank has formulated lending policy to ensure uniformity of good credit underwriting practices and comply with the BOT's consolidated supervision guidelines. Apart from credit underwriting principles, guidelines for preferable and discouraged practices are defined to ensure quality of credit approval.

Our credit risk management is based mainly on current, transparent and qualified data. The credit approval process and system are tailored to align with customers' characteristics. Medium and Large Business customers with sophisticated financial needs are served by RMs with thorough understanding of customers' business and financial profile. RMs are responsible for analyzing and proposing suitable credit products and services to match customer needs, presenting credit write-ups to credit underwriters according to the defined authorities for approval and monitoring of customer status continually.

For our retail customers whose main products comprise home loans, credit cards and other types of financing, including loans for small and micro businesses, KBank employs credit scoring as a credit approval tool, focusing on verification of income and liability data of each customer. We have also focused our efforts on credit approval process improvement to manage risk level under defined risk appetite.

Aside from the above guidelines, we realize the importance of Corporate Social Responsibility practices in our credit underwriting. Guidelines for environmental and social impacts have been established for project finance at home and abroad receiving KBank financial support, while action plans are devised to ensure effective monitoring throughout the credit term.

Post-Credit Approval Operations

To achieve standardized and efficient credit operations, KBank has centralized all necessary functions for post-credit approvals, including legal and contract-related matters, preparation of collateral agreements, credit-line setup, credit withdrawals, credit-related document storage and credit data support. Our post-credit approval operations have been made more efficient, focusing on customer credit-utilization behavior, as well as their business performance, compliance with contractual conditions and monitoring of their debt servicing ability.

Allowance for Impairment Losses

KBank has set aside allowance for impairment losses based on the Thai Financial Reporting Standards criteria, taking into account indications of impairment and expected recovery value.

Debt Quality Monitoring

KBank has developed risk indicators to monitor and control debt quality, as well as credit-utilization behavior as early warning signals to prevent deterioration in credit quality. Credit bureau data is used to gauge credit limit renewals and credit quality, thus achieving greater efficiency.

In the matter of debt collection from large business customers, our Corporate Portfolio Monitoring Unit (CPMU) assesses debt quality closely, using established indicators to ensure timely management prior to debt delinquency. For certain customer segments that may have been affected by economic hardships, i.e., falling commodity prices or declining exports, specific management guidelines, such as credit reviews and possible limit suspensions have been used to limit our overall risk.

Regarding small and micro business as well as retail customers, likely to be affected by the slowing economy and mounting household debts, we have enhanced our debt collection strategy to better respond to varying risk levels of different

customer groups. Debts are managed in such a way as to prevent them from becoming NPLs, with a focus on swift and efficient management of debt collection.

Asset Quality Review

KBank has conducted a review of credit policy and process efficiency, from credit write-ups to underwriting, as well as contract preparation and credit quality monitoring. The department also contributes to the data provided to our management towards consideration of enhanced credit management standards.

• Market Risk Management

Market risk may arise from changes in interest rate, foreign exchange, securities and commodity prices, as well as credit spreads. These changes affect our present and future income, capital, as well as the value of financial assets and liabilities. KBank engages in a consolidated risk management framework through development of essential infrastructures and processes to appropriately and timely manage market risk of financial products. In addition, we have established market risk management processes for new financial products, and improved related processes for existing products.

In 2015, global financial markets were volatile amid numerous downsides. These included the Greek sovereign debt crisis, terrorism and heightened geopolitical tensions in different regions, anxiety over China's economic slowdown, as well as uncertainties surrounding the timing of the Fed's rate hike. In December, the Fed raised its Fed Funds rate for the first time in nine years, whereas the People's Bank of China (PBOC) and the European Central Bank (ECB) maintained policies of monetary easing to stimulate their economies. This exemplifies the monetary policy divergence of core economies' central banks. In addition, OPEC's resolution to hold its oil output at high levels led to an oversupply of crude oil in the market, creating a downward spiral in oil prices. Domestically, the Bank of Thailand resolved to cut its key policy rate twice in the meetings held in March and April 2015, as part of its economic stimulus effort. The policymaker also announced measures for capital flows relaxation. Plagued by these domestic and international challenges, the Thai Baht and interest rates remained volatile throughout the year. The Thai Baht, in particular, moved steadily downward. Going forward, the world's economy and financial markets are likely to remain influenced by these factors.

Market Risk in Trading Book Activities

KBank's trading activities are exposed to three types of risk, i.e., interest rate, foreign exchange and equity risks in equity underwriting and non-directional trading business, which we undertake only for customer needs. Moreover, KBank has chosen not to retain any position when dealing with commodity prices, by managing market risk through a back-to-back policy.

Market Risk in Banking Book Activities

KBank is exposed to interest rate and equity price risks in banking book transactions, i.e.:

— Interest Rate Risk in Banking Book Activities

Interest rate risk refers to risk incurred from economic value-based income or capital, adversely affected by changes in interest rates of assets and liabilities as well as off-Statement of Financial Position transactions that are susceptible to interest rates. This may therefore have an impact on net interest income and economic value of banking book transaction.

In order to manage our Statement of Financial Position for higher net interest income and underlying economic value, KBank has adjusted the Statement of Financial Position structure through business units and our investment

portfolios, consistent with our liquidity position. Thus, the detail of interest rate risk management has been indicated in order to be used as a framework for Statement of Financial Position management under pre-specified risk appetite and limit the impact of interest rate changes on net interest income or underlying economic value of the Conglomerate.

KBank prepares an interest rate risk gap report to monitor interest rate risk in banking book activities and assess net interest income sensitivity over the next 12 months, based on an assumption of a 1.00-percent change in interest rates on all types of assets and liabilities at their re-pricing periods. The results of that risk assessment are shown below:

Net Interest Income Sensitivity to Interest Rate Change

(Units: Million Baht)

For the Period Ending	Dec. 31, 2015
	+100 bps
THB	(58)
Foreign Currencies	325
Total Effect of Interest Rate Change	268

— Equity Risk in Banking Book Activities

KBank has no policy to increase equity investments, but plans to reduce the size of such investments that are not directly related to our core financial business operations based on data analyses and close assessments of relevant events to ensure maximum benefit to KBank.

• Liquidity Risk Management

Liquidity risk is defined as a risk caused by an inability to meet obligations when they come due because of an inability to convert assets into cash, and/or obtain sufficient funds to meet funding needs at appropriate costs within a pre-specified time period.

KBank efficiently monitors liquidity risk and situations that have incurred indirect consequential risks. We have also adopted a Business Continuity Plan to guard against disruptions to important operations and systems, allowing us to fulfill our obligations in emergencies.

Liquidity risk is continually analyzed and assessed to ensure adequate liquidity for business operations. Our efforts include a liquidity gap analysis covering normal and crisis situations, in which impact analyses are conducted for three scenarios, i.e., a bank-specific liquidity crisis, a market-wide liquidity crisis, and a combination liquidity crisis. In addition, KBank applies world-class standard liquidity risk indicators, such as the Liquidity Coverage Ratio (LCR), to our liquidity control and risk management.

KBank has also developed tools to assess and analyze liquidity risk that meet international standards, as well as assisting in the achievement of our business growth. This allows us to devise an effective plan for liquidity management, overall and in foreign currencies. Liquidity risk management processes have also been reviewed and adjusted for consistency with prevailing economic developments and business expansion. Our funding structure has been appropriately adjusted in response to changing market conditions and liquidity directions in the commercial banking system so that we are able to cope with volatility in the global economy and/or rapid changes in financial asset prices.

We also monitor, analyze and manage foreign-currency liquidity risk, while seeking short- and medium-term liquidity to support present and future demand. We consider maintaining a suitable level of foreign-currency denominated liquid assets, consistent with growth in foreign-currency deposits, to thus guard against any heightened liquidity risk stemming from volatility in the global economy.

Factors that are closely monitored towards liquidity and interest rate risks include:

- Global and Thai economic outlooks over the short and medium terms.
- The BOT's timeframe for their key policy rate adjustments.
- Direct and indirect foreign capital movements triggered by business confidence towards consumption and investment.
- Intensified competition between financial institutions towards savings and investment products that may affect overall liquidity in the commercial banking system.
- Increasing demand for loans due to Thai economic recovery, which could pressure liquidity in the system.
- Possible impacts on liquidity due to the Basel III Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) reserve requirements.

• **Operational Risk Management**

Operational risk refers to the risk of direct or indirect losses to a bank's revenue or capital resulting from incorrect or inadequate processes, personnel, operating and/or IT systems or external events. KBank has thus emphasized operational risk management through the development of policies and operational risk frameworks to enhance our operational risk management as a unified standard, prompting enhancements that allow us to assess risk and proactively seek preventative measures.

KBank continually undertakes operational risk management under the supervision of Operational Risk and Fraud Management Department. During 2015, KBank developed processes, policies and operational procedures to enhance efficiency in operational risk management. Key developments included:

- Formulated a Conduct Risk Management Policy to ensure conduct risk management has covered all processes, from the beginning to the end.
- Established a working group for customer compensation to standardize criteria and operating authority of all divisions in compensating customers in a timely manner, which will help maintain our reputation.
- Developed "Know Your Branch Officer" operational procedures to prevent and mitigate internal fraud; practical guidelines were established for pre-employment screening, audit and prevention of fraud risk, and termination of employment as a result of fraud.
- A Risk and Control Self-Assessment Procedure (RCSA) and Key Risk Indicators (KRI) have been reviewed for efficient upgrades in our KRI assessment and monitoring, consistent with prevailing situations and business undertakings. Operating process has also been revised to prevent any damage from recurring.
- Developed a whistle-blowing program so that employees feel secure in alerting KBank to potential or suspected fraud, which will allow fraud cases to be handled in a timely manner, thus fostering a culture of integrity.
- Launched the "Honest KBank People" campaign to promote and build a culture of integrity via various communication channels, as part of our K-Culture program.

- **Strategic Risk Management**

KBank places high importance on “Strategic Risk Management”. Our definitive and efficient Strategic Risk Management process begins with systematic data collection and analysis for use in review and determination of appropriate strategies. KBank closely examines the alignment of business plans with strategies and key performance indicators, as well as allocation of resources. As such, these strategic plans are communicated organization-wide, incorporated into clear operational plans and procedures with explicit monitoring approaches. Therefore, KBank efficiently identifies problems and seeks precise resolutions. KBank Strategic Risk Management consists of two parts:

Part 1 – Strategic Risk Management for Strategic Content is conducted by monitoring changes in key assumptions. KRIs for Strategic Content are established and regularly monitored for revision of bank-wide strategies, as well as business units’ strategic plans, to ensure their alignment with a fast-changing environment.

Part 2 – Strategic Risk Management for Strategy Execution consists of:

- *Preparation of important reports, including Balanced Scorecard (BSC) reports, Financial Performance reports and Customer Management reports that are consistent with KBank’s strategies; we also arrange monthly and quarterly meetings to address and manage specific issues, in order to achieve unified solutions.*
- *Regular monitoring of risks and obstacles that could prevent KBank from achieving strategic targets, using established KRIs for Strategy Execution. So doing helps indicate action plans needed for prevention, correction or mitigation of such potential risks.*

Shareholder Risk Management

Investments in KBank shares may incur shareholder risk, as the returns on investment, which vary with KBank share prices, share liquidity and investment overall, may not meet shareholders’ expectation. KBank dividend payments are also dependent upon KBank operating results. Therefore, shareholders may have returns that are higher or lower than their expectations.

Key risks and risk management practices employed by KBank are identified in this Management Discussion and Analysis. However, KBank may incur risks other than those specified therein; shareholders are urged to study all risk factors and cautiously deliberate upon any investment before making a decision. Shareholders must accept that KBank may not be able to prevent all risks that could arise, and that there are numerous factors that have the potential to affect KBank performance and dividend payments, e.g., domestic and international economic conditions, political situations, capital movements, changes in government policies, and other unpredictable incidents. Furthermore, the diversity among KBank shareholders, with its high incidence of foreign shareholdership, could induce fluctuations in KBank share prices, particularly when there is incidental market concern towards the economic and political environment that could result in capital outflows.

4. Business Assets

Main Fixed Assets for Business Operations

Premises and equipment

As of 31 December, the Bank and its subsidiaries' premises and equipment which are not used for mortgage and pledge, consist of the following:

(Unit : Million Baht)

TYPE	2015	2014	2013
Land	14,762	14,634	13,603
Building	26,217	25,715	24,821
Equipment	37,172	35,218	30,456
Others	1,951	1,047	840
Total	80,102	76,614	69,720
<u>Less</u> Accumulated depreciation	34,812	31,999	28,876
Impairment allowance	6	6	6
Premises and equipment - net	45,284	44,609	40,838

Long-Term Lease Agreements

1. Operating Lease

The Bank and its subsidiaries have entered into land/building lease agreements for offices and branches and vehicle lease agreements. The Bank and its subsidiaries were committed to pay future rentals as of 31 December 2015, 2014 and 2013, which are summarized as follows:

(Unit : Million Baht)

Types of Lease Agreement	Remaining Period	2015
Land/building lease agreements	1 January 2016 – 31 December 2042	2,427
Vehicle lease agreements	1 January 2016 – 3 December 2020	1,250
Others	1 January 2016 – 18 November 2019	47
Total		3,724
Types of Lease Agreement	Remaining Period	2014
Land/building lease agreements	1 January 2015 – 31 December 2042	1,942
Vehicle lease agreements	1 January 2015 – 30 November 2019	1,277
Others	1 January 2015 – 17 September 2018	53
Total		3,272
Types of Lease Agreement	Remaining Period	2013
Land/building lease agreements	1 January 2014 – 31 December 2042	1,876
Vehicle lease agreements	1 January 2014 – 2 December 2018	950
Others	1 January 2014 – 12 August 2017	44
Total		2,870

2. Service Agreement

The Bank and its subsidiaries entered into an Information Technology Service, under which the service agreement will be provided until 30 September 2019. As of 31 December 2015, 2014 and 2013, the Bank and its subsidiaries were committed to pay total service fees of Baht 1,437 million, Baht 3,640 million and Baht 2,524 million, respectively.

KASIKORNBANK's Investments in Subsidiary and Associated Companies**➤ Subsidiary and Associated Companies**

The definitions of subsidiary and associated companies are in alignment with those specified in Thai Financial Reporting Standard, which KBank discloses in the Notes to the Financial Statements.

➤ Investment Policy

Our investment policy can be summarized as:

▪ Strategic Investments

KBank invests in companies for strategic benefits. KBank and such companies collaborate in the review of business strategies and synergies through the sharing of various resources, equipment, tools and channels to efficiently meet the needs of customers with minimal operational redundancies.

▪ Outsourcing Investments

KBank invests in companies that support our operations. These are companies providing services that are not the core business of KBank, and thus would be relatively inflexible if they were to remain a part of KBank. Our executives are appointed as directors of these companies to oversee their management and operating policies, with one director having control over each such firm's operations. This helps ensure standardized service quality, and maximized efficiency and benefit to KBank.

In 2015, KBank established KASIKORN BUSINESS-TECHNOLOGY GROUP (KBTG), and assigned KBank President to supervise the group, which comprises five companies as follows:

1. KASIKORN TECHNOLOGY GROUP SECRETARIAT COMPANY LIMITED Objective: Planning, Control and Support for KASIKORN BUSINESS-TECHNOLOGY GROUP
2. KASIKORN LABS COMPANY LIMITED
Objective: Technology Research and Innovation Labs
3. KASIKORN SOFT COMPANY LIMITED
Objective: Software Development
4. KASIKORN PRO COMPANY LIMITED
Objective: IT Infrastructure Management
5. KASIKORN SERVE COMPANY LIMITED (formerly PROGRESS SOFTWARE COMPANY LIMITED)
Objective: Provision of Support to the Systems and Users as well as Personnel to KASIKORN BUSINESS-TECHNOLOGY GROUP

5. Legal Disputes

The Bank and its subsidiaries is not a litigant or a concerning party in the following particular cases;

1. Cases that may cause any negative impact to assets of the Bank and its subsidiaries (cases which have litigation sum greater than 5 percent of the Bank's or its subsidiaries' shareholder equity as the case may be as of the latest fiscal year-end);
2. Cases that may have a material adverse effect on business operation; but unable to estimate the exact amount;
3. Cases that are not caused by the ordinary course of business.

In part of the Bank, the Bank has involved in 203 pending cases caused by the ordinary course of the Bank's business and having the total litigation sum of approximately Baht 7,487 million. In those cases, there are 52 cases which the Court of First Instance has awarded judgment in favor of the Bank but are still pending in higher courts, having an aggregate litigation sum of approximately Baht 570 million. The Bank is under the opinion that at the present status of the Bank, such total litigation sum of all of the aforementioned lawsuits will have no material impact on the Bank's business operation.

6. General Information and Other Important Information

Issuing company	: KASIKORNBANK PUBLIC COMPANY LIMITED AKA “KBank”
Type of Business	: KASIKORNBANK PCL conducts commercial banking business, securities business, and other related business under the Financial Institution Business Act, Securities and Exchange Act and other related regulations.
Head Office	: 1 Soi Rat Burana 27/1, Rat Burana Road, Rat Burana Sub-District, Rat Burana District, Bangkok 10140, Thailand
Company Registration Number:	0107536000315 (formerly PLC 105)
Telephone	: +662-2220000
Fax	: +662-4701144
K-Contact Center (Personal)	: +662-8888888 Thai, +662-8888888 Press 878 Mandarin, +662-8888800 English, +662-8888826 Japanese
K-BIZ Contact Center (Business)	: +662-8888822
SWIFT	: KASITHBK
E-mail	: info@kasikornbank.com
Website	: www.kasikornbank.com

Names, Offices, Telephone and Fax Numbers of Referenced Entities**Registrar**

- Ordinary Shares : The Thailand Securities Depository Company Limited
93 Ratchadaphisek Road, Dindaeng Sub-District,
Dindaeng District, Bangkok 10400 ,Thailand
Tel. +662-0099000 Fax +662-0099476
SET Contact center: 02-0099999
e-mail : SETContactCenter@set.or.th
Website : www.set.or.th/tsd
- KASIKORNBANK PCL Subordinated Debentures : Registrar and Account Administration Unit
No. 1/2012, due for redemption in 2022 Securities Services Department
KASIKORNBANK PCL
- Subordinated Instruments intended to qualify as Tier 2
Capital of KASIKORNBANK PCL
No.1/2557 due B.E.2568 1 Soi Rat Burana 27/1, Rat Burana Road,
Rat Burana Sub-District, Rat Burana District,
Bangkok 10140, Thailand
- Subordinated Instruments intended to qualify as Tier 2
Capital of KASIKORNBANK PCL
No.1/2558 due B.E.2569 Tel. +662-4701987,4701994 Fax +662-2732279
- KASIKORNBANK PCL 8 1/4% Subordinated Bonds due : The Bank of New York Mellon,
2016 101 Barclay Street, New York, N.Y. 10286 U.S.A.
- KASIKORNBANK PCL 3.0% Bonds due 2018 : The Bank of New York Mellon (Luxembourg)
- KASIKORNBANK PCL 3.5% Bonds due 2019 S.Avertigo Building - Polaris, 2-42-4 rue Eugène
- KASIKORNBANK PCL Floating Rate Notes due 2021 Ruppert, L-2453, Luxembourg

Auditors

- : Mr. Supot Singhasaneh, CPA No. 2826
Mr. Nirand Lilamethwat, CPA No. 2316
Ms. Wilai Buranakittisophon, CPA No. 3920
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Legal Adviser

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Sukhumvit 77, Suan Luang District,
Bangkok 10250, Thailand
Tel. +662-7306969-76 Fax +662-7306967-8

Changes in KASIKORNBANK shares held by Directors and Executives in 2015

As of December 31, 2015

Name	Position	KBank shares held as of 31 December 2014	KBank shares held as of 31 December 2015	Increase/ (Decrease) in KBank shares held in 2015	Percentage of shares held (%)
1. Mr. Banthoon Lamsam	Chairman of the Board and Chief Executive Officer	50,000	50,000	0	0.002
Spouse and minor children		1,530,000	1,530,000	0	0.064
2. Prof. Khunying Suchada Kiranandana	Vice Chairman	1,000	1,000	0	0.000
Spouse and minor children		-	-	-	-
3. Mr. Krisada Lamsam	Vice Chairman	8,880	8,880	0	0.000
Spouse and minor children		-	-	-	-
4. Mr. Predee Daochai	President	-	-	-	-
Spouse and minor children		-	-	-	-
5. Mr. Teeranun Srihong	President	24,600	24,600	0	0.001
Spouse and minor children		-	-	-	-
6. Ms. Sujitpan Lamsam	Director	3,000,000	3,000,000	0	0.125
Spouse and minor children		-	-	-	-
7. Prof. Dr. Yongyuth Yuthavong	Independent Director	N/A	-	N/A	-
Spouse and minor children		N/A	-	N/A	-
8. Dr. Abhijai Chandrasen	Director and Legal Adviser	10,000	10,000	0	0.000
Spouse and minor children		-	-	-	-
9. Prof. Dr. Pairash hajchayapong	Independent Director	-	-	-	-
Spouse and minor children		-	-	-	-
10. Sqn.Ldr. Naline Paiboon, M.D.	Independent Director	-	-	-	-
Spouse and minor children		-	-	-	-
11. Mr. Saravoot Yoovidhya	Independent Director	975,800	975,800	0	0.041
Spouse and minor children		-	-	-	-
12. Dr. Piyasvasti Amranand	Independent Director	-	-	-	-
Spouse and minor children		-	-	-	-
13. Mr. Kalin Sarasin	Independent Director	1,200	1,200	0	0.000
Spouse and minor children		4,260	4,260	0	0.000
14. Mr. Somkiat Sirichatchai	Director	-	-	-	-
Spouse and minor children		-	-	-	-
15. Ms. Puntip Surathin	Independent Director	-	-	-	-
Spouse and minor children		-	-	-	-
16. Mr. Wiboon Khusakul	Independent Director	N/A	-	N/A	-
Spouse and minor children		N/A	-	N/A	-
17. Ms. Suphatee Suthumpun	Independent Director	N/A	-	N/A	-
Spouse and minor children		N/A	-	N/A	-
18. Mr. Pakorn Partanapat	Senior Executive Vice President	-	-	-	-
Spouse and minor children		-	-	-	-

Name	Position	KBank shares held as of 31 December 2014	KBank shares held as of 31 December 2015	Increase/ (Decrease) in KBank shares held in 2015	Percentage of shares held (%)
19. Ms. Kattiya Indaravijaya Spouse and minor children	Senior Executive Vice President	- -	- -	- -	- -
20. Dr. Adit Laixuthai Spouse and minor children	Senior Executive Vice President	284 -	284 -	0 -	0.000 -
21. Mr. Wirawat Panthawangkun Spouse and minor children	Senior Executive Vice President	10,380 -	10,380 -	0 -	0.000 -
22. Mr. Krit Jitjang Spouse and minor children	Senior Executive Vice President	920 -	920 -	0 -	0.000 -
23. Mr. Somkid Jiranuntarat Spouse and minor children	Senior Executive Vice President	- -	- -	- -	- -
24. Mr. Pipit Aneaknithi Spouse and minor children	Senior Executive Vice President	- -	- -	- -	- -
25. Ms. Sansana Sukhanuth Spouse and minor children	First Senior Vice President	- -	- -	- -	- -
26. Ms. Wasana Surakit Spouse and minor children	Financial Accounting Management Department Head	- -	- -	- -	- -
27. Ms. Hataiporn Chiemprasert Spouse and minor children	Financial Planning Co-Department Head	3,500 -	3,500 -	0 -	0.000 -
28. Ms. Natcha Argasreog Spouse and minor children	Financial Planning Co-Department Head	N/A N/A	220 -	N/A N/A	0.000 -

Remarks: N/A

- Prof. Dr. Yongyuth Yuthavong was appointed as Director on October 1, 2015. Hence, number of shares held as of December 31, 2014 are not applicable for comparison.
- Mr. Wiboon Khusakul was appointed as Director on April 2, 2015. Hence, number of shares held as of December 31, 2014 are not applicable for comparison.
- Ms. Suphatee Suthumpun was appointed as Director on October 6, 2015. Hence, number of shares held as of December 31, 2014 are not applicable for comparison.
- Ms. Natcha Argasreog was appointed as Financial Planning Co-Department Head on May 1, 2015. Hence, number of shares held as of December 31, 2014 are not applicable for comparison.

INVESTMENTS OF KASIKORNBANK PUBLIC COMPANY LIMITED IN OTHER COMPANIES**as of December 31, 2015**

The following is a list of companies in which KASIKORNBANK made investments, in the form of shareholding of 10 percent or more of the total number of shares issued.

Name of Company	Location of Corporate Headquarters	Type of Business	Registered Capital (Million Baht)	Paid-up Capital (Million Baht)	Total Number of Paid-up Shares ⁽¹⁾	Total Number of Shares Held ⁽²⁾	Proportion of Total Shares Held (%)	Type of Share
1. KASIKORN ASSET MANAGEMENT CO., LTD. Tel. +662-6733999 Fax +662-6733988	Bangkok	Fund Management	135.77	135.77	27,154,274	27,154,274	100.00	Common Share
2. KASIKORN RESEARCH CENTER CO., LTD. Tel. +662-2731144 Fax +662-2701235	Bangkok	Service	10.00	10.00	100,000	100,000	100.00	Common Share
3. KASIKORN SECURITIES PCL Tel. +662-6960000 Fax +662-6960099	Bangkok	Securities Business	501.00	500.01	100,001,877	99,996,096	99.99	Common Share
4. KASIKORN LEASING CO., LTD. Tel. +662-6969999 Fax +662-6969966	Bangkok	Auto Leasing	900.00	900.00	90,000,000	90,000,000	100.00	Common Share
5. KASIKORN FACTORY & EQUIPMENT CO., LTD. Tel. +662-2902900 Fax +662-2903000	Bangkok	Equipment Leasing	160.00	160.00	1,600,000	1,600,000	100.00	Common Share
6. KASIKORN TECHNOLOGY GROUP SECRETARIAT CO.,LTD. Tel. 02-008-1000 Fax -	Nonthaburi	Service	5.00	5.00	50,000	50,000	100.00	Common Share
7. KASIKORN LABS CO.,LTD. Tel. 02-008-1100 Fax -	Nonthaburi	Service	5.00	5.00	50,000	50,000	100.00	Common Share
8. KASIKORN SOFT CO.,LTD. Tel. 02-008-2000 Fax -	Nonthaburi	Service	5.00	5.00	50,000	50,000	100.00	Common Share
9. KASIKORN PRO CO.,LTD. Tel. 02-008-1500 Fax -	Nonthaburi	Service	5.00	5.00	50,000	50,000	100.00	Common Share
10. KASIKORN SERVE CO., LTD. Tel. +662-2257900-1 Fax +662-2255654-5	Bangkok	Service	10.00	10.00	100,000	100,000	100.00	Common Share
11. Muang Thai Group Holding Co., Ltd. Tel. +662-2764859 Fax +662-2764859	Bangkok	Investment in other Companies	458.66	458.66	45,865,949	11,925,147	26.00	Common Share
12. KASIKORNTHAI BANK LTD. Tel. (856) 21 410888 Fax (856) 21 410889	Lao PDR	Banking	1,216.49	1,216.49	30,000,000	27,000,000	90.00	Common Share
13. K-SME Venture Capital Co., Ltd. Tel. +662-6738701-4 Fax +662-6738709	Bangkok	Venture Capital	200.00	200.00	20,000,000	20,000,000	100.00	Common Share
14. Phethai Asset Management Co., Ltd. Tel. +662-5626401-25 Fax +662-2733171	Bangkok	Asset Management	1,930.00	1,930.00	193,000,000	193,000,000	100.00	Common Share
15. STARBRIGHT FINANCE CO.,LTD. ^Q Tel. (86) (21) 50988862 Fax (86) (21) 50988852	China	Financial Company	868.17	868.17	-	-	100.00	Common Share

Name of Company	Location of Corporate Headquarters	Type of Business	Registered Capital (Million Baht)	Paid-up Capital (Million Baht)	Total Number of Paid-up Shares ⁽¹⁾	Total Number of Shares Held ⁽²⁾	Proportion of Total Shares Held (%)	Type of Share
16. PROGRESS PLUS CO., LTD. Tel. +662-2252020 Fax +662-2252021	Bangkok	Sales of inventories and/or service	6.00	6.00	60,000	60,000	100.00	Common Share
17. PROGRESS APPRAISAL CO., LTD. Tel. +662-2706900 Fax +662-2785035	Bangkok	Service	5.00	5.00	5,000	5,000	100.00	Common Share
18. PROGRESS GUNPAI CO., LTD. Tel. +662-2733900 Fax +662-9806265	Bangkok	Service	20.00	20.00	200,000	200,000	100.00	Common Share
19. PROGRESS MANAGEMENT CO., LTD. Tel. +662-2751880 Fax +662-2751889-91	Bangkok	Service	20.00	6.00	60,000	60,000	100.00	Common Share
20. PROGRESS FACILITIES MANAGEMENT CO., LTD. Tel. +662-2733288-91 Fax +662-2733292	Bangkok	Service	5.00	5.00	50,000	50,000	100.00	Common Share
21. PROGRESS SERVICE CO., LTD. Tel. +662-2733293-4 Fax +662-2733292	Bangkok	Service	2.00	2.00	20,000	20,000	100.00	Common Share
22. PROGRESS STORAGE CO., LTD. Tel. +662-2733833 Fax +662-2714784	Bangkok	Service	3.00	3.00	30,000	30,000	100.00	Common Share
23. PROGRESS H R CO., LTD. Tel. +662-2701070-8 Fax +662-2701068-9	Bangkok	Service	1.00	1.00	10,000	10,000	100.00	Common Share
24. PROGRESS SERVICE SUPPORT CO., LTD. Tel. +662-4705420 Fax +662-8888882	Nonthaburi	Service	4.00	4.00	40,000	40,000	100.00	Common Share
25. PROGRESS COLLECTION CO., LTD. Tel. +662-4705284 Fax +662-4705288	Bangkok	Service	5.00	5.00	50,000	50,000	100.00	Common Share
26. PROGRESS TRAINING CO., LTD. Tel. +662-4706273 Fax +662-4703198	Bangkok	Service	1.70	1.70	17,000	17,000	100.00	Common Share
27. Thanyathanathavee Co., Ltd. Tel. +662-4706330 Fax +662-4702652	Bangkok	Investment in other Companies	1,148.65	1,148.65	114,865,000	114,865,000	100.00	Common Share
28. Thanyathamrongkij Co., Ltd. Tel. +662-4706330 Fax +662-4702652	Bangkok	Investment in other Companies	1,148.65	1,148.65	114,865,000	114,865,000	100.00	Common Share
29. Thanyanihiwattana Co., Ltd. Tel. +662-4706330 Fax +662-4702652	Bangkok	Investment in other Companies	4,499.30	4,499.30	449,930,000	220,465,700	49.00	Common Share
30. Processing Center Co., Ltd. Tel. +662-2376330-4 Fax +662-2376340	Bangkok	Service	50.00	50.00	500,000	150,000	30.00	Common Share

Name of Company	Location of Corporate Headquarters	Type of Business	Registered Capital (Million Baht)	Paid-up Capital (Million Baht)	Total Number of Paid-up Shares ⁽¹⁾	Total Number of Shares Held ⁽²⁾	Proportion of Total Shares Held (%)	Type of Share
31. National ITMX Co.,Ltd. Tel. +662-5587555	Nonthaburi	Service	50.00	50.00	500,000	110,750	22.15	Common Share
32. Muangthai Holding Co.,Ltd. Tel. +662-6932729	Bangkok	Investment in other Companies	456.00	456.00	45,600,000	4,560,000	10.00	Common Share
33. Seacon Development Public Co.,Ltd. Tel. +662-7218888 Fax +662-7219444	Bangkok	Service	574.00	574.00	5,740,000	574,000	10.00	Common Share
34. SUPERNAP (Thailand) Company Limited Tel. +662-2648000 Fax +662-6572222	Bangkok	Service	2,000.00	1,410.00	200,000,000	20,000,000	10.00	Common Share
35. T S C Innovation Co.,Ltd. Tel. +662-6829700 Fax +662-6829709	Bangkok	Telecommunications	300.00	225.00	30,000,000	3,000,000	10.00	Common Share
36. Baan Somthavil Co.,Ltd. Tel. +662-3320390 Fax +662-3320390	Bangkok	Property Development	25.00	25.00	1,000,000	100,000	10.00	Common Share
37. Palit Palangnang Co.,Ltd. Tel. +662-7161600 Fax +662-7161488	Bangkok	Energy & Utilities	1.00	1.00	10,000	1,000	10.00	Common Share
38. Unitas Co.,Ltd. Tel. +662-2627591 Fax +662-2626354	Bangkok	Land Rental	11.05	5.53	110,532	11,053	10.00	Common Share
39. Zin Suapah Co.,Ltd. Tel. +662-2215895 Fax +662-2215895	Bangkok	Service	6.00	3.00	6,000	600	10.00	Common Share

Note: ⁽¹⁾ Total number of paid-up shares and total number of shares held include common shares and preferred shares.

⁽²⁾ Starbright Finance Co.,Ltd. does not specify the amount of shares.