
13. Financial Highlights

Financial Statements**Summary of Independent Auditor's Report for the past 3 years**

An auditor is KPMG Phoomchai Audit Limited who has audited the financial statements for the year 2015, 2014 and 2013.

Summary of Independent Auditor's Report 2015

An auditor expressed an unqualified opinion on the consolidated financial statement and the Bank-only financial statement for the year ended 31 December 2015.

Summary of Independent Auditor's Report 2014

An auditor expressed an unqualified opinion on the consolidated financial statement and the Bank-only financial statement for the year ended 31 December 2014 with the emphasis of matter paragraph regarding the Bank and its subsidiaries' adoption of certain new accounting policy from 1 January 2014. The corresponding figures presented are based on the audited financial statements as at and for the year ended 31 December 2013 after making the adjustments.

Summary of Independent Auditor's Report 2013

An auditor expressed an unqualified opinion on the consolidated financial statement and the Bank-only financial statement for the year ended 31 December 2013.

**SUMMARY STATEMENTS OF FINANCIAL POSITION, STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME AND STATEMENTS OF CASH FLOWS**

KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

Thousand Baht

	<i>Consolidated</i>		
	31 December		
	2015	2014	2013 (Restated)
ASSETS			
Cash	56,226,230	58,005,650	40,609,916
Interbank and money market items - net	308,744,496	135,518,408	203,282,320
Claims on security	1,288	84,453	-
Derivative assets	31,830,604	23,980,802	35,905,523
Investments - net	477,200,035	567,226,644	496,567,418
Investments in subsidiaries and associates - net	662,368	479,429	364,394
Loans to customers and accrued interest receivables - net			
Loans to customers	1,619,526,585	1,537,027,491	1,448,311,370
Accrued interest receivables	3,088,273	3,025,475	2,928,175
Total Loans to customers and accrued interest receivables	1,622,614,858	1,540,052,966	1,451,239,545
<u>Less</u> Deferred revenue	(9,639,590)	(9,947,819)	(9,333,676)
<u>Less</u> Allowance for doubtful accounts	(60,901,538)	(47,434,099)	(39,864,333)
<u>Less</u> Revaluation allowance for debt restructuring	(3,415,769)	(3,557,891)	(5,234,914)
Total Loans to customers and accrued interest receivables - net	1,548,657,961	1,479,113,157	1,396,806,622
Customers' liability under acceptances	130,862	1,705,137	3,196,210
Properties foreclosed - net	14,196,584	11,788,377	10,854,690
Premises and equipment - net	45,284,434	44,608,689	40,838,577
Goodwill and other intangible assets - net	24,234,227	25,882,071	23,211,615
Deferred tax assets	5,584,612	3,943,870	3,155,287
Collateral per credit support annex	13,861,552	6,872,874	10,151,986
Other assets - net	28,690,119	29,927,031	25,100,729
Total Assets	2,555,305,372	2,389,136,592	2,290,045,287

KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION (Continued)

Thousand Baht

	<i>Consolidated</i>		
	31 December		
	2015	2014	2013 (Restated)
LIABILITIES AND EQUITY			
Deposits	1,705,379,017	1,629,831,110	1,529,835,078
Interbank and money market items	71,465,737	75,693,710	167,402,851
Liabilities payable on demand	23,545,166	17,343,284	21,797,765
Liabilities to deliver security	121,282	103,788	-
Financial liabilities designated at fair value through profit or loss	38,890	-	388,850
Derivative liabilities	33,570,889	23,249,358	35,463,119
Debts issued and borrowings	85,577,772	87,313,756	71,517,579
Bank's liability under acceptances	130,862	1,705,137	3,196,210
Provisions	21,586,936	19,751,239	15,992,901
Deferred tax liabilities	1,907,000	1,868,948	1,304,706
Insurance contract liabilities	251,447,597	202,565,648	160,239,176
Other liabilities	48,321,275	49,024,760	45,899,639
Total Liabilities	2,243,092,423	2,108,450,738	2,053,037,874
Equity			
Share capital			
Authorized share capital			
3,048,614,697 common shares, Baht 10 par value	30,486,147	30,486,147	30,486,147
Issued and paid-up share capital			
2,393,260,193 common shares, Baht 10 par value	23,932,602	23,932,602	23,932,602
Premium on common shares	18,103,110	18,103,110	18,103,110
Other reserves	14,843,155	15,823,105	14,177,760
Retained earnings			
Appropriated			
Legal reserve	3,050,000	3,050,000	3,050,000
Unappropriated	225,870,851	196,150,422	159,968,832
Total Equity attributable to equity holders of the Bank	285,799,718	257,059,239	219,232,304
Non-controlling interests	26,413,231	23,626,615	17,775,109
Total Equity	312,212,949	280,685,854	237,007,413
Total Liabilities and Equity	2,555,305,372	2,389,136,592	2,290,045,287

KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

Thousand Baht

	<i>The Bank</i> 31 December		
	2015	2014	2013 (Restated)
ASSETS			
Cash	56,203,527	57,997,253	40,608,262
Interbank and money market items - net	298,523,171	125,354,819	200,771,436
Derivative assets	32,513,462	24,049,869	36,052,400
Investments - net	213,198,650	351,696,993	324,031,965
Investments in subsidiaries and associates - net	14,475,750	13,871,670	13,028,009
Loans to customers and accrued interest receivables - net			
Loans to customers	1,588,064,981	1,510,348,000	1,424,195,637
Accrued interest receivables	2,706,922	2,705,656	2,676,126
Total Loans to customers and accrued interest receivables	1,590,771,903	1,513,053,656	1,426,871,763
Less Deferred revenue	(293,927)	(243,191)	(280,938)
Less Allowance for doubtful accounts	(59,135,674)	(46,122,469)	(38,591,170)
Less Revaluation allowance for debt restructuring	(3,415,756)	(3,557,873)	(5,234,903)
Total Loans to customers and accrued interest receivables - net	1,527,926,546	1,463,130,123	1,382,764,752
Customers' liability under acceptances	130,862	1,705,137	3,196,210
Properties foreclosed - net	13,865,038	11,356,847	10,238,971
Premises and equipment - net	36,850,925	36,538,091	34,799,150
Goodwill and other intangible assets - net	19,538,162	21,504,502	19,039,823
Deferred tax assets	4,614,921	3,672,439	2,679,913
Collateral per credit support annex	13,861,552	6,872,874	10,151,986
Other assets - net	16,564,302	18,887,232	14,697,039
Total Assets	2,248,266,868	2,136,637,849	2,092,059,916

KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION (Continued)

Thousand Baht

	<i>The Bank</i> 31 December		
	2015	2014	2013 (Restated)
LIABILITIES AND EQUITY			
Deposits	1,708,593,777	1,632,226,821	1,532,587,913
Interbank and money market items	81,844,870	84,796,001	173,787,334
Liabilities payable on demand	23,544,465	17,343,284	21,797,765
Financial liabilities designated at fair value through profit or loss	38,890	-	388,850
Derivative liabilities	31,703,137	22,624,946	34,904,614
Debts issued and borrowings	85,382,126	87,170,939	71,476,006
Bank's liability under acceptances	130,862	1,705,137	3,196,210
Provisions	20,767,651	19,162,389	15,461,316
Other liabilities	32,307,029	32,165,778	31,501,899
Total Liabilities	1,984,312,807	1,897,195,295	1,885,101,907
Equity			
Share capital			
Authorized share capital			
3,048,614,697 common shares, Baht 10 par value	30,486,147	30,486,147	30,486,147
Issued and paid-up share capital			
2,393,260,193 common shares, Baht 10 par value	23,932,602	23,932,602	23,932,602
Premium on common shares	18,103,110	18,103,110	18,103,110
Other reserves	12,924,550	13,135,335	13,199,940
Retained earnings			
Appropriated			
Legal reserve	3,050,000	3,050,000	3,050,000
Unappropriated	205,943,799	181,221,507	148,672,357
Total Equity attributable to equity holders of the Bank	263,954,061	239,442,554	206,958,009
Total Liabilities and Equity	2,248,266,868	2,136,637,849	2,092,059,916

KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Thousand Baht

	<i>Consolidated</i>		
	For the year ended 31 December		
	2015	2014	2013 (Restated)
Interest income	114,353,841	113,578,385	106,225,541
Interest expenses	29,341,410	30,446,136	33,428,397
Interest income - net	85,012,431	83,132,249	72,797,144
Fees and service income	46,412,952	42,690,360	36,613,366
Fees and service expenses	8,886,896	8,746,405	7,803,035
Fees and service income - net	37,526,056	33,943,955	28,810,331
Gain on trading and foreign exchange transactions	8,887,147	6,132,280	5,895,354
Loss on financial liabilities designated at fair value through profit or loss	(6,368)	(3,098)	(18,164)
Gain on investments	785,314	1,182,730	947,829
Share of profit from investments using equity method	95,841	88,383	193,304
Dividend income	1,345,526	1,096,669	881,643
Net premiums earned	85,380,326	73,088,114	58,414,270
Other operating income	1,528,274	1,313,387	1,080,157
Total operating income	220,554,547	199,974,669	169,001,868
Underwriting expenses	73,039,421	61,319,087	48,684,874
Total operating income - net	147,515,126	138,655,582	120,316,994
Other operating expenses			
Employee's expenses	28,928,689	28,124,471	23,233,601
Directors' remuneration	134,424	119,862	105,363
Premises and equipment expenses	13,234,826	12,213,231	10,664,983
Taxes and duties	4,222,929	4,248,897	3,924,491
Impairment on application software and related expense	2,314,508	-	1,566,170
Reversal of estimate for loss sharing of TAMC	-	-	(1,158,994)
Others	17,820,771	16,712,546	13,934,525
Total other operating expenses	66,656,147	61,419,007	52,270,139
Impairment loss on loans and debt securities	26,377,292	14,242,815	11,743,358
Operating profit before income tax expense	54,481,687	62,993,760	56,303,497
Income tax expense	10,527,123	12,692,003	11,456,922
Net profit	43,954,564	50,301,757	44,846,575

KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

Thousand Baht

	<i>Consolidated</i>		
	For the year ended 31 December		
	2015	2014	2013 (Restated)
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss			
(Loss) gain on remeasurement of available-for-sale investments	(1,896,026)	3,085,372	(1,631,287)
(Loss) gain arising from translating the financial statements of a foreign operation	(285,465)	43,338	194,188
Income taxes relating to components of other comprehensive income	348,510	(579,148)	321,999
Items that will not be reclassified subsequently to profit or loss			
Changes in revaluation surplus	-	1,910,331	-
Actuarial (losses) gains on defined benefit plans	(420,259)	(2,180,000)	11,389
Income taxes relating to components of other comprehensive income	75,032	53,934	(2,278)
Total other comprehensive income	(2,178,208)	2,333,827	(1,105,989)
Total comprehensive income	41,776,356	52,635,584	43,740,586
Net profit attributable to :			
Equity holders of the Bank	39,473,635	46,153,408	41,324,808
Non-controlling interests	4,480,929	4,148,349	3,521,767
Total comprehensive income attributable to :			
Equity holders of the Bank	38,311,307	46,202,481	41,465,782
Non-controlling interests	3,465,049	6,433,103	2,274,804
Earnings per share of equity holders of the Bank			
Basic earnings per share (Baht)	16.49	19.28	17.27
Weighted average number of common shares (Thousand shares)	2,393,260	2,393,260	2,393,260

KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Thousand Baht

	<i>The Bank</i>		
	For the year ended 31 December		
	2015	2014	2013 (Restated)
Interest income	101,107,572	102,717,815	97,533,708
Interest expenses	29,227,968	30,471,785	33,508,226
Interest income - net	71,879,604	72,246,030	64,025,482
Fees and service income	47,061,082	42,833,314	36,038,414
Fees and service expenses	8,844,143	8,626,380	7,815,696
Fees and service income - net	38,216,939	34,206,934	28,222,718
Gain on trading and foreign exchange transactions	8,592,024	5,958,269	5,796,720
Loss on financial liabilities designated at fair value through profit or loss	(6,368)	(3,098)	(18,164)
Gain on investments	358,114	610,538	164,352
Dividend income	2,543,939	3,321,587	2,452,876
Other operating income	5,115,474	4,112,504	3,356,815
Total operating income	126,699,726	120,452,764	104,000,799
Other operating expenses			
Employee's expenses	22,281,198	22,086,862	18,104,604
Directors' remuneration	85,759	77,992	71,936
Premises and equipment expenses	13,023,333	11,756,023	10,285,675
Taxes and duties	3,832,944	3,914,710	3,621,805
Impairment on application software and related expense	2,314,508	-	1,566,170
Reversal of estimate for loss sharing of TAMC	-	-	(1,158,994)
Others	17,255,578	16,108,659	13,385,561
Total other operating expenses	58,793,320	53,944,246	45,876,757
Impairment loss on loans and debt securities	25,767,764	13,916,385	11,382,704
Operating profit before income tax expense	42,138,642	52,592,133	46,741,338
Income tax expense	7,737,985	10,069,827	9,216,481
Net profit	34,400,657	42,522,306	37,524,857

KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

Thousand Baht

	<i>The Bank</i> For the year ended 31 December		
	2015	2014	2013 (Restated)
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss			
Gain on remeasurement of available-for-sale investments	202,179	50,695	873,741
(Loss) gain arising from translating the financial statements of a foreign operation	(258,858)	40,880	194,188
Income taxes relating to components of other comprehensive income	(41,050)	(8,925)	(182,122)
Items that will not be reclassified subsequently to profit or loss			
Actuarial losses on defined benefit plans	(272,976)	(2,180,000)	-
Income taxes relating to components of other comprehensive income	54,596	436,000	-
Total other comprehensive income	(316,109)	(1,661,350)	885,807
Total comprehensive income	34,084,548	40,860,956	38,410,664
Earnings per share of equity holders of the Bank			
Basic earnings per share (Baht)	14.37	17.77	15.68
Weighted average number of common shares (Thousand shares)	2,393,260	2,393,260	2,393,260

KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

Thousand Baht

	<i>Consolidated</i>		
	For the year ended 31 December		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit before income tax expense	54,481,687	62,993,760	56,303,497
Add (Less) Adjustments to reconcile operating profit before income tax expense to net cash from operating activities			
Depreciation and amortisation	6,732,328	5,723,065	5,033,735
Bad debt and doubtful accounts	24,827,714	13,474,853	9,687,128
Loss on debt restructuring	2,005,975	1,304,808	2,537,472
Interest income from amortisation of revaluation allowance for debt restructuring	(599,353)	(382,815)	(447,866)
(Gain) Loss on foreign exchange translation of long-term borrowings	(11,793)	(2,717)	2,803
Loss on revaluation of trading investments	19,535	30,630	5,391
Loss (Reversal of loss) on impairment of investments	86,189	(121,926)	7,361
Gain on disposal of investments securities	(815,304)	(1,184,826)	(937,235)
Gain on liquidation of subsidiary	-	(630)	-
Gain on disposal of investments in associated companies	(277)	(7,734)	-
Loss on impairment of properties foreclosed	626,279	621,301	428,510
Loss on impairment on application software and related expense	2,314,508	-	1,566,170
Provision for other assets	1,275,512	117,715	170,301
Gain on disposal of premises and equipment	(13,347)	(4,515)	(51,612)
Loss on write off of premises and equipment	69,659	98,659	181,158
Loss on write off of other assets	82,418	357,422	24,691
Loss on revaluation of land and premises	-	156,939	-
Gain on early settlement of financial lease contract	-	-	(55,743)
Reversal of estimate for loss sharing of TAMC	-	-	(1,158,994)
Share of profit from investments using equity method	(95,841)	(88,383)	(193,304)
	90,985,889	83,085,606	73,103,463
Interest income - net	(85,012,431)	(83,132,249)	(72,797,144)
Dividend income	(1,345,526)	(1,096,669)	(881,643)
Proceeds from interest	114,658,572	112,683,954	102,834,869
Interest paid	(29,448,808)	(30,729,347)	(33,063,328)
Proceeds from dividends	1,370,546	1,127,414	884,014
Income tax paid	(13,172,444)	(12,558,598)	(13,358,607)
Profit from operating before changes in operating assets and liabilities	78,035,798	69,380,111	56,721,624

KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS (Continued)

Thousand Baht

	<i>Consolidated</i>		
	For the year ended 31 December		
	2015	2014	2013
(Increase) Decrease in operating assets			
Interbank and money market items (assets)	(166,887,483)	67,863,909	49,682,823
Investments held for trading	10,234,910	(9,885,840)	(4,393,405)
Loans to customers	(101,987,198)	(101,770,115)	(126,718,921)
Properties foreclosed	2,868,779	2,476,272	3,346,397
Other assets	(16,593,387)	11,812,236	(22,645,673)
Increase (Decrease) in operating liabilities			
Deposits	75,056,203	100,119,138	138,337,176
Interbank and money market items (liabilities)	(6,672,877)	(91,706,077)	(8,079,969)
Liabilities payable on demand	6,201,882	(4,454,459)	5,450,417
Financial liabilities designated at fair value through profit or loss	38,890	(388,850)	(713,817)
Short-term debts issued and borrowings	1,783,581	(9,178,187)	186,100
Other accrued expenses	(278,542)	1,826,726	(240,448)
Provisions	1,415,376	1,578,380	91,276
Other liabilities	60,253,754	30,893,741	55,222,997
Net cash (used in) provided by operating activities	(56,530,314)	68,566,985	146,246,577
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of available-for-sale investments	361,462,052	429,406,748	303,545,291
Proceeds from redemption of held to maturity debt instruments	59,758,824	14,602,318	23,082,214
Proceeds from disposal of general investments	1,150,716	54,735	87,040
Proceeds from liquidation of subsidiary	-	630	-
Proceeds from disposal of investments in associated companies	1,457	15,532	3,738
Purchase of available-for-sale investments	(233,752,869)	(431,178,893)	(378,317,616)
Purchase of held to maturity debt instruments	(107,841,311)	(68,007,626)	(55,481,769)
Purchase of general investments	(1,077,351)	(433,843)	(84,975)
Purchase of investments in associated companies	(139,478)	(60,000)	(11,071)
Proceeds from disposal of premises and equipment	18,755	8,870	87,732
Purchase of premises and equipment	(4,407,975)	(6,264,382)	(4,667,982)
Purchase of leasehold	(316,882)	(83,036)	(65,624)
Purchase of intangible assets	(3,083,424)	(4,912,954)	(3,827,570)
Net cash provided by (used in) investing activities	71,772,514	(66,851,901)	(115,650,592)

KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS (Continued)

Thousand Baht

	<i>Consolidated</i>		
	For the year ended 31 December		
	2015	2014	2013
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) Increase in long-term debts issued and borrowings	(6,771,726)	24,636,200	(17,558,003)
Dividend paid to shareholders	(9,573,041)	(8,376,411)	(7,179,781)
Dividend paid to non-controlling interests	(678,433)	(581,597)	(375,349)
Net cash (used in) provided by financing activities	(17,023,200)	15,678,192	(25,113,133)
Effect of exchange rate changes on balances held in foreign currencies	1,580	2,458	6
Net (decrease) increase in cash	(1,779,420)	17,395,734	5,482,858
Cash at the beginning of the year	58,005,650	40,609,916	35,127,058
Cash at the end of the year	56,226,230	58,005,650	40,609,916

KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

Thousand Baht

	<i>The Bank</i>		
	For the year ended 31 December		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit before income tax expense	42,138,642	52,592,133	46,741,338
Add (Less) Adjustments to reconcile operating profit before income tax expense to net cash from operating activities			
Depreciation and amortisation	6,092,677	5,112,045	4,368,725
Bad debt and doubtful accounts	24,158,650	13,100,116	9,274,512
Loss on debt restructuring	2,005,975	1,304,791	2,537,464
Interest income from amortisation of revaluation allowance for debt restructuring	(599,348)	(382,804)	(447,859)
(Gain) Loss on foreign exchange translation of long-term borrowings	(11,793)	(2,717)	2,803
(Gain) Loss on revaluation of trading investments	(4,729)	13,243	(2,571)
(Reversal of loss) Loss on impairment of investments	(561)	(123,776)	361
Gain on disposal of investments securities	(358,114)	(616,974)	(144,880)
Gain on liquidation of subsidiary	-	(630)	-
Loss on impairment of properties foreclosed	629,812	521,103	387,849
Loss on impairment on application software and related expense	2,314,508	-	1,566,170
Provision for other assets	1,275,512	117,715	170,185
Gain on disposal of premises and equipment	(5,608)	(814)	(2,092)
Loss on write off of premises and equipment	62,807	93,045	178,237
Loss on write off of other assets	82,418	357,422	24,691
Gain on early settlement of financial lease contract	-	-	(55,743)
Reversal of estimate for loss sharing of TAMC	-	-	(1,158,994)
	77,780,848	72,083,898	63,440,196
Interest income - net	(71,879,604)	(72,246,030)	(64,025,482)
Dividend income	(2,543,939)	(3,321,587)	(2,452,876)
Proceeds from interest	101,116,987	101,373,884	93,624,934
Interest paid	(29,353,757)	(30,755,987)	(33,143,831)
Proceeds from dividends	2,524,258	3,320,864	2,452,965
Income tax paid	(10,154,635)	(9,944,544)	(9,493,687)
Profit from operating before changes in operating assets and liabilities	67,490,158	60,510,498	50,402,219

KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS (Continued)

Thousand Baht

	The Bank For the year ended 31 December		
	2015	2014	2013
(Increase) Decrease in operating assets			
Interbank and money market items (assets)	(166,970,168)	75,480,824	49,654,317
Investments held for trading	9,988,900	(9,194,544)	(4,590,847)
Loans to customers	(95,917,254)	(98,695,212)	(120,321,869)
Properties foreclosed	2,408,299	2,223,212	2,981,914
Other assets	(16,172,922)	12,068,728	(22,664,666)
Increase (Decrease) in operating liabilities			
Deposits	75,933,652	99,762,014	137,934,417
Interbank and money market items (liabilities)	(5,324,672)	(88,988,269)	(5,921,387)
Liabilities payable on demand	6,201,181	(4,454,459)	5,450,674
Financial liabilities designated at fair value through profit or loss	38,890	(388,850)	(713,817)
Short-term debts issued and borrowings	1,730,753	(9,279,431)	144,530
Other accrued expenses	(660,761)	1,461,319	24,539
Provisions	1,332,224	1,521,115	25,687
Other liabilities	11,316,144	(13,125,028)	14,733,612
Net cash (used in) provided by operating activities	(108,605,576)	28,901,917	107,139,323
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of available-for-sale investments	353,515,282	410,300,829	297,318,596
Proceeds from redemption of held to maturity debt instruments	57,267,062	10,481,878	15,971,167
Proceeds from disposal of general investments	1,139,850	37,196	80,287
Proceeds from capital decrease in subsidiary	200,000	250,000	570,000
Proceeds from liquidation of subsidiary	-	1,808	-
Purchase of available-for-sale investments	(216,566,723)	(407,453,965)	(364,107,759)
Purchase of held to maturity debt instruments	(64,108,150)	(29,754,287)	(19,000,000)
Purchase of general investments	(1,077,351)	(417,000)	(84,975)
Purchase of investments in subsidiaries	(780,948)	(1,094,839)	(20)
Purchase of investments in associated companies	(23,132)	-	(11,071)
Proceeds from disposal of premises and equipment	8,266	916	2,428
Purchase of premises and equipment	(3,495,834)	(5,418,816)	(3,983,518)
Purchase of leasehold	(271,725)	(82,704)	(65,624)
Purchase of intangible assets	(2,649,984)	(4,623,730)	(3,608,355)
Net cash provided by (used in) investing activities	123,156,613	(27,772,714)	(76,918,844)

KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS (Continued)

Thousand Baht

	<i>The Bank</i> For the year ended 31 December		
	2015	2014	2013
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) Increase in long-term debts issued and borrowings	(6,771,727)	24,636,200	(17,558,003)
Dividend paid to shareholders	(9,573,041)	(8,376,411)	(7,179,781)
Net cash (used in) provided by financing activities	(16,344,768)	16,259,789	(24,737,784)
Effect of exchange rate changes on balances held in foreign currencies	5	(1)	6
Net (decrease) increase in cash	(1,793,726)	17,388,991	5,482,701
Cash at the beginning of the year	57,997,253	40,608,262	35,125,561
Cash at the end of the year	56,203,527	57,997,253	40,608,262

KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

FINANCIAL RATIO

(Units: Percent)

Financial Ratio	Consolidated Financial Statements		
	2013	2014	2015
Profitability Ratio			
Gross Profit Margin ^(A)	71.1	74.9	76.2
Net Profit Margin	34.3	33.3	26.8
Return on Equity	20.4	19.4	14.5
Yield ^(B)	5.2	5.2	4.9
Cost of Funds ^(C)	1.9	1.7	1.6
Spread	3.2	3.5	3.3
Return on Investment	3.3	3.3	3.1
Efficiency Ratio			
Net Interest Margin ^(D)	3.3	3.6	3.4
Return on Assets	1.9	2.0	1.6
Asset Turnover Ratio (times)	0.06	0.06	0.06
Financial Ratio			
Liabilities to Equity (times)	9.4	8.2	7.8
Loans to Borrowing	88.7	88.0	88.7
Loans to Deposits	94.1	93.7	94.4
Deposits to Liabilities	74.5	77.3	76.0
Dividend Payout Ratio	n.a.	n.a.	n.a.
Capital Adequacy Ratio	15.8	17.3	18.3
Asset Quality Ratio			
Allowances for Doubtful Accounts to Loans	3.1	3.3	4.0
Bad Debts to Loans	0.7	0.5	0.6
Non-Performing Loans to Total Loans ^(E)	2.1	2.2	2.7
Accrued Interest Receivables to Loans	0.2	0.2	0.2

Notes:

^(A) Gross Profit Margin = (net interest income + net fee income) / (interest income + fee income)

^(B) Yield = interest income / (average loans and accrued interest receivables + average net interbank and money market items (assets)+ average investments - net)

^(C) Cost of Funds = interest expense / (average deposits + average interbank and money market items(liabilities)+ average liabilities payable on demand + average issued debt paper and borrowing)

^(D) Net Interest Margin = net interest income / average assets

^(E) Non-Performing Loans to Total Loans per the Bank of Thailand's criteria

14. Management Discussion and Analysis

In 2015, the Thai economy encountered global volatility, as evidenced by slower-than-expected growth, thus pressuring major economic sectors, especially exports and farm income. Meanwhile, domestic spending continued to decelerate. Amid those economic circumstances, KASIKORNBANK (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, under our “Customer Centricity” strategy and efforts towards becoming our “Customers’ Main Bank”. Meanwhile, we strived to create a culture of risk awareness organization-wide to maintain our stability as a leading financial institution and to cope with economic volatility in a timely manner.

In addition, KBank implemented strategies to build long-term competitiveness through steadily developing our support operations – efficient internal operational process to control costs, customer service process, cross-border service network expansion, information management, human resources management, IT management and corporate governance, as well as compliance with relevant laws and regulations. Meanwhile, it is KBank’s firm intent to ingrain the sustainable development concept in all our employees’ conscience at the “DNA” level, which will be passed down 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.

Guided by our business strategies plus our proactive management towards debt quality, KBank and subsidiaries reported a net profit of Baht 39,474 million in 2015, decreasing Baht 6,679 million over-year, or 14.47 percent lower, due mainly to higher allowance for impairment loss on loans, amounting to Baht 12,134 million, or 85.20 percent increase. Nonetheless, operating profit before provision expense and income tax expense rose Baht 3,622 million, or 4.69 percent. This was derived from an increase of Baht 1,880 million in net interest income, or 2.26 percent, and an increase of Baht 6,979 million in non-interest income, or 12.57 percent. Despite operating expenses rose Baht 5,237 million, or 8.53 percent over-year, due to extraordinary expenses for setting the allowance for impairment on application software and related expenses.

Nonetheless, KBank was able to maintain our key financial ratios at levels consistent with overall economic performance and within the set targets. Our net interest margin (NIM) stood at 3.67 percent, and our Cost to Income Ratio was favorable at 45.19 percent. Meanwhile, our robust capital position was sufficient to cushion against risks, and above the Bank of Thailand’s requirement. As evidenced, KASIKORNBANK FINANCIAL CONGLOMERATE’s capital adequacy ratio (CAR) per the Basel III framework was 18.00 percent, and Tier-1 capital ratio was 14.53 percent.

Operating performance of the wholly-owned subsidiaries of KBank was satisfactory in terms of quantity and quality, thanks to the concerted effort of all units involved. KASIKORN SECURITIES PCL continued to report favorable operating performance and was able to retain its market leadership. KASIKORN ASSET MANAGEMENT CO., LTD. remained at the top of the asset management business. KASIKORN LEASING CO., LTD. was able to sustain satisfactory lending business volume and asset quality. At the same time, net lending by KASIKORN FACTORY & EQUIPMENT CO., LTD. expanded in accordance with the set target. In addition, Muang Thai Life Assurance PCL retained its leadership in the bancassurance business, with a high premium growth rate of 18.19 percent in 2015.

Their endeavors and operating performance, together with sound corporate governance, allowed KBank and K Companies to meet business targets and gain wide acceptance and recognition at home and abroad, as reflected in numerous awards received in 2015.

In 2016, KBank aims to upgrade our services and to enhance efficiency in our business operations, for excellent service to all customer segments. Special importance is given to cost effectiveness and productivity management to achieve maximum efficiency and greatest benefits. The emphasis is also put on IT and information management via the setup of relevant structures and acquisition of appropriate tools as well as human resource management through a number of measures, i.e. improving employee performance, developing leadership, cultivating corporate culture and boosting staff productivity, on top of effective performance and operating cost management. Through these steps, we have set our sights on becoming the main bank in every customer's mind, and to make KBank a strong brand. Such initiatives will help us achieve the status of an "AEC+3 Bank", now that huge business opportunities are emerging from the AEC launch, as well as business deals with China, Japan and South Korea. In digital banking, we are determined to maintain our number-one position in the market, and will continue to work hard on our journey towards digital transformation.

Operating Performance

KBank's consolidated net profit for 2015 totaled Baht 39,474 million, decreasing Baht 6,679 million – 14.47 percent lower over-year – due largely to an increase of Baht 12,134 million in allowance for impairment loss on loans – 85.20 percent higher – to cope with the economic slowdown. Operating profit before provision expense and income tax expense rose Baht 3,622 million, or 4.69 percent higher over-year. Net interest income increased Baht 1,880 million – 2.26 percent higher over-year due to increase in loans and falling interest expenses. Meanwhile, non-interest income rose Baht 6,979 million, or 12.57 percent as a result of increase in net fees and service income as well as revenue from money market and capital market products. Despite the fact that other operating expenses rose Baht 5,237 million, or 8.53 percent over-year. The rise could be attributed mainly to extraordinary expenses for setting the allowance for impairment on application software and related expenses amounting to Baht 2,314 million as well as increase in employee expenses, in line with increases in the number of employees and salaries, higher premises and equipment expenses plus rise in other expenses.

Operating Performance for 2015

(Units: Million Baht)

	2015	2014	Change	
			Million Baht	Percent
Net Interest Income	85,012	83,132	1,880	2.26
Non-Interest Income	62,503	55,524	6,979	12.57
Total Operating Income - net	147,515	138,656	8,859	6.39
Other Operating Expenses - total	66,656	61,419	5,237	8.53
Impairment Loss on Loans and Debt Securities	26,377	14,243	12,134	85.20
Net Profit (attributable to equity holders of KBank)	39,474	46,153	(6,679)	(14.47)
Basic Earnings per Share (Baht)	16.49	19.28	(2.79)	(14.47)

Major financial ratios that reflected operating performance of KBank and our subsidiaries in 2015 and 2014 included:

(Units: Percent)

	2015	2014	Change
Return on Assets (ROA)	1.60	1.97	(0.37)
Return on Equity (ROE)	14.54	19.38	(4.84)
Net Interest Margin (NIM)	3.67	3.80	(0.13)
Non-Interest Income to Average Assets	2.53	2.37	0.16
Non-Interest Income Ratio	42.37	40.04	2.33
Cost to Income Ratio	45.19	44.30	0.89

(Units: Percent)

	2015	2014	Change
Net NPLs to Total Loans	1.36	0.98	0.38
Gross NPLs to Total Loans	2.70	2.24	0.46
Coverage Ratio	129.96	141.38	(11.42)
Loans ¹⁾ to Deposits Ratio	94.40	93.70	0.70
Loans ¹⁾ to Deposits and B/E Ratio	94.15	93.15	1.00
Capital Adequacy Ratio ²⁾	18.00	17.31	0.69
Tier 1 Capital Ratio ²⁾	14.53	13.49	1.04

¹⁾ Loans = Loans to customers less deferred revenue.

²⁾ KASIKORNBANK FINANCIAL CONGLOMERATE's Capital Adequacy Ratio (CAR)

Net Interest Income

KBank's consolidated net interest income for 2015 was Baht 85,012 million, increasing Baht 1,880 million or 2.26 percent over-year due to rising loans and falling interest expenses. Our NIM for 2015, therefore equaled 3.67 percent, lower than the previous year, which was consistent with the declining interest rate trend and asset quality but remained within the set target range.

(Unit: Million Baht)

	2015	2014	Change	
			Million Baht	Percent
Interest Income				
Interbank and Money Market Items	3,897	3,303	594	18.00
Deposits	712	993	(281)	(28.28)
Loans without Repurchase Agreements	643	249	394	157.75
Repurchase Agreements	2,542	2,061	481	23.37
Investments	15,173	16,240	(1,067)	(6.57)
Trading Investments	319	339	(20)	(5.84)
Available-for-Sale Investments	4,724	7,379	(2,655)	(35.98)
Held-to-Maturity Investments	10,130	8,522	1,608	18.87
Loans	90,160	88,989	1,171	1.32
Finance leases	5,118	4,985	133	2.67
Others	5	61	(56)	(91.93)
Total Interest Income	114,353	113,578	775	0.68
Total Interest Expenses	29,341	30,446	(1,105)	(3.63)
Total Interest Income – net	85,012	83,132	1,880	2.26
Yield on Earning Assets (percent)	4.94	5.19		(0.25)
Cost of Fund (percent)	1.59	1.69		(0.10)
Net Interest Margin (NIM) (percent)	3.67	3.80		(0.13)

Non-Interest Income

For 2015, KBank's consolidated non-interest income totaled Baht 62,503 million, increasing Baht 6,979 million, or 12.57 percent over-year. The increase was due mainly to higher net fees and service income and revenue from money market and capital market products in line with continual expansion of a new customer base. In 2015 and 2014, non-interest income of KBank and our subsidiaries accounted for 42.37 percent and 40.04 percent of total income. This was in alignment with KBank's goal wherein non-interest income would be around 40 percent of total income.

(Units: Million Baht)

	2015	2014	Change	
			Million Baht	Percent
Non-Interest Income				
Fees and Service Income	46,413	42,690	3,723	8.72
Fees and Service Expenses	8,887	8,746	141	1.61
Fees and Service Income – net	37,526	33,944	3,582	10.55
Gain on Trading and Foreign Exchange Transactions	8,887	6,132	2,755	44.92
Loss on Financial Liabilities Designated at Fair Value through Profit or Loss	(6)	(3)	(3)	(105.55)
Gain on Investments	785	1,183	(398)	(33.60)
Share of Profit from Investments using Equity Method	96	88	8	8.44
Dividend Income	1,346	1,097	249	22.69
Net Premiums Earned	85,380	73,088	12,292	16.82
Other Operating Income	1,528	1,314	214	16.36
<u>Less</u> Underwriting Expenses	73,039	61,319	11,720	19.11
Total Non-Interest Income	62,503	55,524	6,979	12.57
Non-Interest Income to Average Assets (percent)	2.53	2.37		0.16
Non-Interest Income Ratio (percent)	42.37	40.04		2.33
Net Fee Income to Net Total Operating Income Ratio (percent)	25.44	24.48		0.96

Other Operating Expenses

KBank's consolidated other operating expenses totaled Baht 66,656 million, rising Baht 5,237 million, or 8.53 percent over-year. The rise could be attributed mainly to extraordinary expenses for setting the allowance for impairment on application software amounting to Baht 2,314 million as well as increase in employee expenses, in line with increases in the number of employees and salaries, higher premises and equipment expenses plus rise in other expenses.

Our cost to income ratio of 2015, at 45.19 percent, was higher than the 44.30 percent in the previous year due to the larger increase in expenses than net total operating income. Nonetheless, the cost to income ratio remained within the set target.

(Units: Million Baht)				
	2015	2014	Change	
			Million Baht	Percent
Employee Expenses	28,929	28,124	805	2.86
Directors' Remuneration	134	120	14	12.15
Premises and Equipment Expenses	13,235	12,213	1,022	8.36
Taxes and Duties	4,223	4,249	(26)	(0.61)
Impairment on Application Software	2,314	-	2,314	100.00
Others	17,821	16,713	1,108	6.63
Total Other Operating Expenses	66,656	61,419	5,237	8.53
Cost to Income Ratio (percent)	45.19	44.30		0.89

Impairment Loss on Loans and Debt Securities

— Classified loans, Allowance for Doubtful Accounts and Allowance for Impairment of Assets

Consolidated loans are classified into six categories, with period overdue being the key classification criterion. Minimum allowance for doubtful accounts is set according to the loan classification criteria and in accordance with the Bank of Thailand's regulations as well as our loan analysis and evaluation of each individual debtor's financial status, based on KBank's experience in risk and collateral value assessment. Maximum collateral value, used for calculation of allowance for doubtful accounts, depends on the type of collateral.

KBank's consolidated classified loans and allowance for doubtful accounts, as of December 31, 2015, are shown in the table below:

(Units: Million Baht)			
	Loans and Accrued Interest Receivables	Allowance for Doubtful Accounts	
		% per BOT's Regulations	Total Provision
Normal	1,511,028	1	5,271
Special Mention	35,969	2	194
Sub-Standard	12,906	100	5,841
Doubtful	16,490	100	8,211
Doubtful of Loss	20,241	100	10,487
Loss	-		-
Total	1,596,634		30,004
Revaluation Allowance for Debt Restructuring			3,416
Total			33,420
	Loans and Accrued Interest Receivables	Net Amount used to Set the Allowance for Doubtful Accounts	
Allowance for Classified Loan and Debt Restructuring		33,420	
Excess Allowance		30,687	
Credit Balance Transaction	2,280	46	
Loans from Life Insurance Business	14,061	164	
Total	1,612,975	64,317	

As of December 31, 2015, KBank's consolidated allowance for doubtful accounts and revaluation allowance for debt restructuring totaled Baht 64,317 million. This amount was equivalent to 192.45 percent of the level required by the BOT. The

data comprised allowance for doubtful accounts of customers and financial institutions of Baht 60,901 million and revaluation allowance for debt restructuring of Baht 3,416 million.

During 2015, KBank and our subsidiaries set aside impairment loss on loans and debt securities at Baht 26,377 million, an increase of Baht 12,134 million or 85.20 percent over-year. Thus our credit cost stood at 1.68 percent, higher than 0.96 percent in the previous year to cushion against slower economic conditions.

(Units: Million Baht)

	2015	2014	Change	
			Million Baht	Percent
Impairment Loss on Loans and Debt Securities	26,377	14,243	12,134	85.20
Credit Cost (percent)	1.68	0.96		0.72

— Non-Performing Loans and Debt Restructuring

Non-Performing Loans

As of December 31, 2015, KBank's consolidated NPLs stood at Baht 49,490 million, 2.70 percent of the total outstanding credit, including that of financial institutions. Bank-only NPLs totaled Baht 47,645 million, 2.61 percent of the total outstanding credit, including that of financial institutions. The NPL data is shown in the table below:

Non-Performing Loans

(Units: Million Baht)

Year Ending	Dec. 31, 2015	Dec. 31, 2014
Consolidated NPLs	49,490	36,067
Percent of total outstanding credit, including that of financial institutions	2.70	2.24
Bank-only NPLs	47,645	34,436
Percent of total outstanding credit, including that of financial institutions	2.61	2.15

Net Non-Performing Loans

As of December 31, 2015, KBank's consolidated net NPLs stood at Baht 24,586 million – 1.36 percent of the total outstanding credit, including that of financial institutions. Bank-only net NPLs totaled Baht 23,679 million – 1.31 percent of the total outstanding credit, including that of financial institutions. The NPL data is shown in the table below:

Net Non-Performing Loans

(Units: Million Baht)

Year Ending	Dec. 31, 2015	Dec. 31, 2014
Consolidated net NPLs	24,586	15,494
Percent of total outstanding credit, including that of financial institutions	1.36	0.98
Bank-only net NPLs	23,679	14,688
Percent of total outstanding credit, including that of financial institutions	1.31	0.93

Debt Restructuring

In 2015, KBank's consolidated pre-written off, restructured debts totaled Baht 68,848 million, increasing by Baht 5,923 million when compared to 2014. Losses from debt restructuring stood at Baht 2,028 million, representing 2.95 percent of total restructured debts, which was equivalent to an increase of Baht 566 million, compared to Baht 1,462 million in 2014.

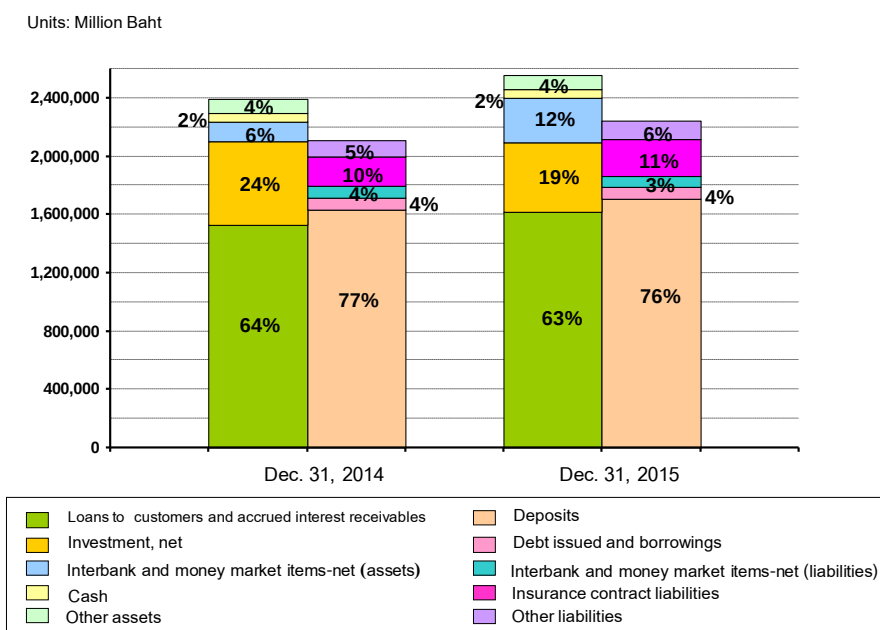
Foreclosed Properties

As of December 31, 2015, our consolidated foreclosed properties had a book value of Baht 16,099 million, thus being 0.63 percent of total assets.

As of December 31, 2015, our consolidated allowance for impairment on foreclosed properties stood at Baht 1,902 million, equivalent to 11.81 percent of the cost value of those foreclosed properties, which is believed to be sufficient to cover holding, maintenance and disposal expenses, as well as losses on liquidations.

Financial Position Analysis

Assets and Liabilities Structure

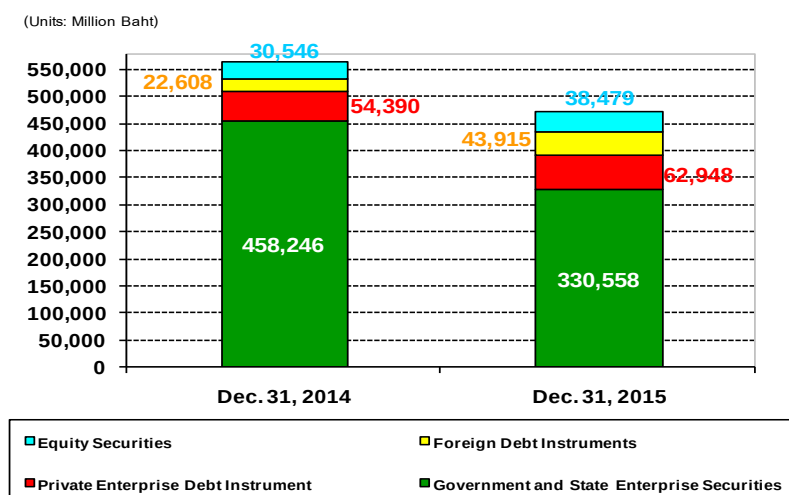


Assets

At the end of 2015, KBank's consolidated assets totaled Baht 2,555,305 million, increasing Baht 166,168 million or 6.96 percent from the end of 2014. The rise was due mainly to increases in net interbank and money market items (assets) and loans to customers, whereas net investments decreased. In detail:

- Net interbank and money market items (assets) as of the end of 2015 totaled Baht 308,744 million, up Baht 173,226 million or 127.82 percent from the end of 2014, due mainly to KBank's liquidity management.
- Our consolidated loans (less deferred revenue), at the end of 2015, amounted to Baht 1,609,887 million, increasing by Baht 82,807 million or 5.42 percent from the end of 2014. Loan growth was in line with the set target. Most increases were seen in working capital, commercial, housing and credit card loans. Our consolidated loans were the fourth-largest among Thai commercial banks.
- Net investments at the end of 2015 totaled Baht 477,200 million, decreasing Baht 90,027 million or 15.87 percent from the end of 2014, due mainly to sales and maturity of government bonds.

Investments in Securities



Liabilities and Equity

Our consolidated liabilities, at the end of 2015, amounted to Baht 2,243,092 million, rising Baht 134,641 million or 6.39 percent from the end of 2014. The increase was mainly attributable to increased deposits and insurance contract liabilities, while interbank and money market items (liabilities) and debts issued and borrowings decreased. Significant changes in our consolidated liabilities included:

- Deposits, at the end of 2015, equaled Baht 1,705,379 million, increasing Baht 75,548 million or 4.64 percent from the end of 2014, mainly as a result of increasing savings. KBank's deposits ranked fourth-largest among Thai commercial banks.
- Insurance contract liabilities, at the end of 2015, registered Baht 251,447 million, an increase of Baht 48,881 million or 24.13 percent from the end of 2014, in line with the growing life insurance business.
- Interbank and money market items (liabilities) at the end of 2015 equaled Baht 71,466 million, declining Baht 4,228 million or 5.59 percent from the end of 2014, due largely to KBank's liquidity management.

At the end of 2015, total equity attributable to equity holders of KBank amounted to Baht 285,800 million, rising by Baht 28,741 million or 11.18 percent from the end of 2014, driven largely by net operating profit for 2015 at Baht 39,474 million despite the interim dividend payment from net profit for the first half of 2015 that was made in September 2015, totaling Baht 1,197 million.

Relationship between Sources and Uses of Funds

As of December 31, 2015, the funding structure as shown in the consolidated financial statement comprised Baht 2,243,092 million in liabilities and Baht 312,213 million in total equity, resulting in a debt-to-equity ratio of 7.18. The main source of funds on the liabilities side was deposits, which equaled Baht 1,705,379 million, or 66.74 percent of the total, as of December 31, 2015. Other sources of funds included interbank and money market items, as well as debts issued and borrowings, which accounted for 2.80 percent and 3.35 percent of the total, respectively.

KBank's and subsidiaries' major use of funds was loans less deferred revenue, which as of December 31, 2015, amounted to Baht 1,609,887 million, resulting in a loan-to-deposit ratio of 94.40 percent. Meanwhile, the loan-to-deposit plus bills of exchange ratio was 94.15 percent. As for the remaining liquidity, KBank invested in various selections of liquid assets, such as interbank and money market items, and investments in securities.

KBank and Subsidiaries' Major Sources and Uses of Funds

(Units: Million Baht)

Period	Deposits				Loans			
	Dec. 31, 2015	Percent	Dec. 31, 2014	Percent	Dec. 31, 2015	Percent	Dec. 31, 2014	Percent
< 1 Year	1,677,664	98.37	1,535,677	94.22	747,275	46.42	712,410	46.65
≥ 1 - 5 Years	27,715	1.63	94,154	5.78	389,124	24.17	374,459	24.52
> 5 Years	-	-	-	-	473,488	29.41	440,211	28.83
Total	1,705,379	100.00	1,629,831	100.00	1,609,887	100.00	1,527,080	100.00

As of December 31, 2015, deposits with maturities of less than or equal to 1 year were larger than loans with remaining maturities of less than or equal to 1 year. This is considered normal for commercial banks in Thailand, as they normally fund their lending or investments in long-term assets from short-term liabilities. However, since most deposits are renewed upon maturity, it is considered likely that they will remain with KBank longer than their stated contractual term, thereby helping to support funding for KBank's lending.

To provide more investment alternatives for the public and/or our depositors, we offered "K-B/E Investment" products to both retail and corporate customers, with their outstanding value totaling Baht 4,309 million as of December 31, 2015.

Change in Cash Flows

As of 31 December 2015, the Bank and its subsidiaries' cash were Baht 56,226 million, decreased by Baht 1,779 million from the end of previous year. Net cash provided by and used in activities could be summarised as follows:

- Net cash used in operating activities were Baht 56,530 million which was mainly from Baht 78,036 million of profit from operating before changes in operating assets and liabilities and changes in significant operating assets and liabilities consisting of Baht 166,887 million of increase in interbank and money market items (assets), Baht 101,987 million of increase in loans to customer, Baht 75,056 million of increase in deposits and Baht 60,254 million of increase in other liabilities.
- Net cash provided by investing activities were Baht 71,773 million which was mainly from Baht 361,462 million of proceeds from disposal of available-for-sale investments, Baht 59,759 million of proceeds from redemption of held to maturity debt instruments, Baht 233,753 million of purchase of available-for-sale investments and Baht 107,841 million of purchase of held to maturity debt instruments.
- Net cash used in financing activities were Baht 17,023 million which was mainly from Baht 9,573 million of dividend paid to shareholders and Baht 6,772 million of decrease in long-term debts issued and borrowings.

Contingent Liabilities and Commitments

Contingent liabilities and commitments of the Bank and its subsidiaries include avals to bills and guarantees of loans, liability under unmatured import bills, letters of credit, and other contingencies as follow:

(Unit : Million Baht)

Contingent Liabilities and Commitments	31 Dec 15	31 Dec 14	31 Dec 13
Avals to bills and guarantees of loans	20,456	24,594	12,394
Liability under unmatured import bills	15,721	13,137	11,967
Letters of credit	26,604	31,142	27,238
Other contingencies	525,784	503,368	405,408
Total	588,565	572,241	457,007

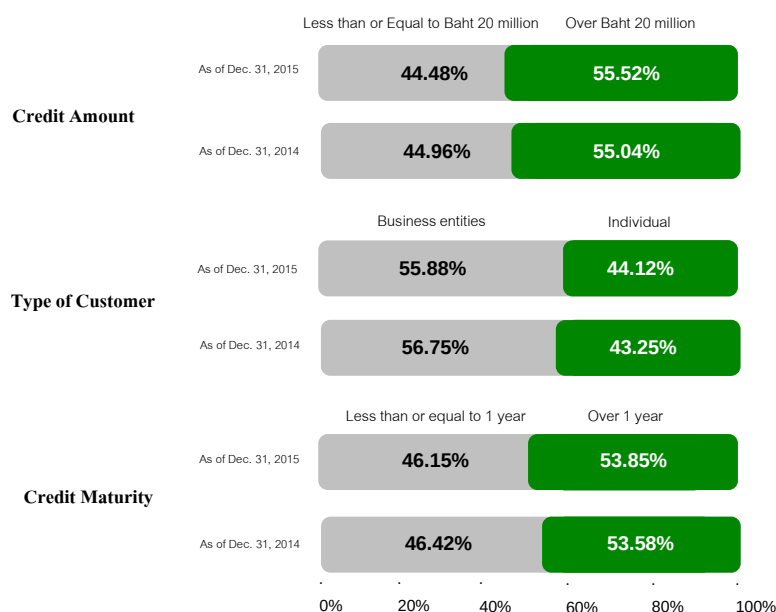
Loans and Deposits

Loans

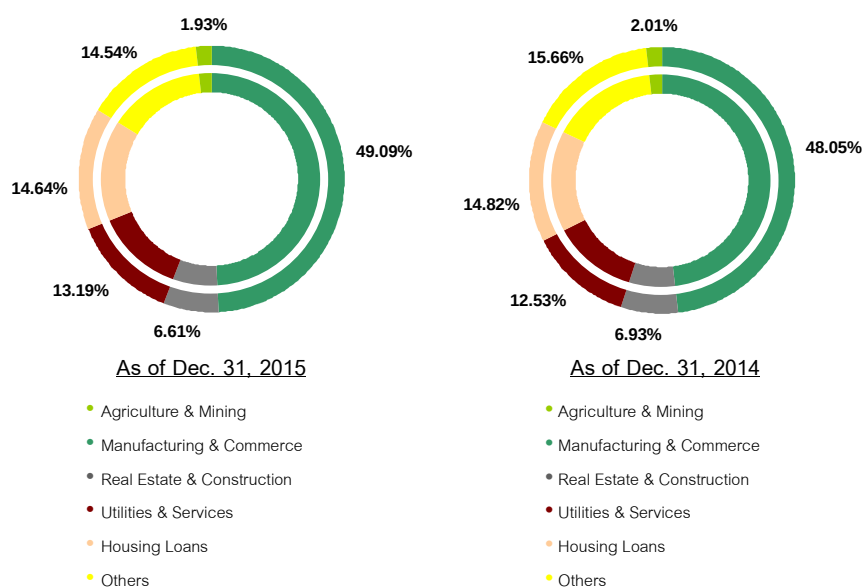
As of December 31, 2015, KBank's consolidated outstanding loans stood at Baht 1,609,887 million, increasing by Baht 82,807 million, or 5.42 percent, compared to Baht 1,527,080 million at the end of 2014.

As of December 31, 2015, 55.88 percent of KBank's outstanding loans were made to juristic persons or registered businesses. Loan account exceeding Baht 20 million totaled Baht 881,570 million, some 55.52 percent of the total; 44.48 percent were loans under Baht 20 million. As for maturities, credit with maturities of less than or equal to one year accounted for 46.15 percent of our total loans.

KBank's Lending Portfolio - Profile



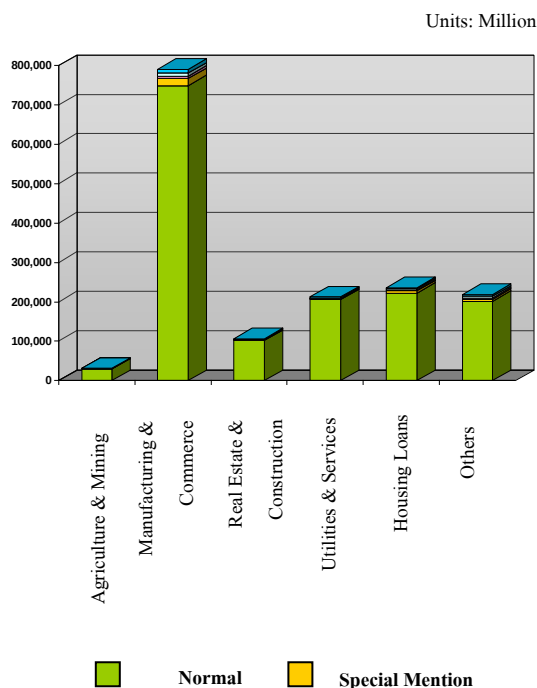
KBank's Consolidated Lending Portfolio



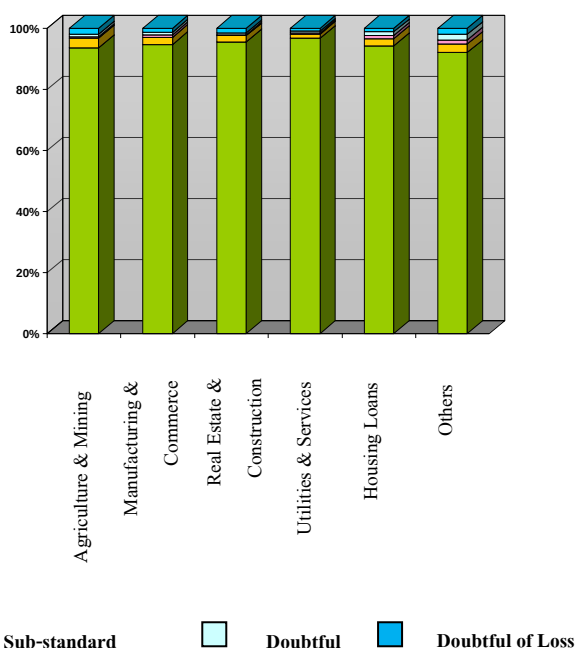
Within KBank's consolidated lending portfolio as of December 31, 2015, 94.65 percent were classified as "Normal" loans. When sub-divided by type of business, Manufacturing & Commerce represented the highest share of total consolidated lending at 49.09 percent; of that 94.79 percent were classified as "Normal" loans.

As of Dec 31, 2015

Consolidated Loans Classified by Type of Business and Loan Classification



Percent of Consolidated Loans Classified by Type of Business and Loan Classification



Despite sluggish economic conditions, Corporate and SME Business loans continued to grow, amid our ongoing emphasis upon customer monitoring through efficient risk, cost and liquidity management, as part of KBank's integrated support for business expansion of our customers and business partners. As a result, they remained financially strong. Regarding our loans classified by business, Corporate Business loans increased by Baht 57,830 million or 5.63 percent from the end of 2014, driven mainly by long-term loans.

Loans Classified by Business

(Units: Million Baht)

	Dec. 31, 2015		Dec. 31, 2014	
	Corporate Business*	Retail Business**	Corporate Business*	Retail Business**
Loans	1,085,646	422,400	1,027,816	408,042

Note: * "Corporate Business" refers to registered companies, certain private individual business customers, government agencies, state enterprises, as well as financial institutions, etc. KBank provides a variety of financial products and services to them, e.g., long-term and working capital loans, letters of indemnity, trade finance solutions, syndicated loans, cash management solutions and value chain solutions.

** "Retail Business" refers to private individual customers using KBank products and services, e.g., deposit accounts, debit cards, credit cards, personal loans, housing loans, financial advisory services, investment products and other transactional services.

Our retail loans increased by Baht 14,358 million, or 3.52 percent, over the end of 2014, in alignment with market environment and KBank's cautious credit growth policy amid current economic slowdown and high household debt. Therefore, we managed to maintain our market leadership in major loan products, with a continued focus on loan quality. Marketing

events, including online activities, were jointly organized with leading property developer allies both in Bangkok and other provinces to promote housing loans and acquire new customers. Diverse co-branded credit cards were offered with distinguished marketing campaigns to boost card spending of existing and new cardholders. Moreover, to maintain portfolio quality, we have campaigned over the debt repayment discipline among K-Express Cash customers.

Deposits

Deposits Classified by Type of Deposit Account

(Units: Million Baht)

	Percent of Total Deposits	Deposits		Changes	
		Dec. 31, 2015	Dec. 31, 2014	Million Baht	Percent
Total Deposits	100.00	1,705,379	1,629,831	75,548	4.64
Current accounts	5.51	94,038	87,907	6,131	6.97
Savings accounts	66.98	1,142,204	1,000,393	141,811	14.18
Fixed-term deposit accounts	27.51	469,137	541,531	(72,394)	(13.37)

At the end of 2015, total deposits – comprising those of Corporate Business and Retail Business – increased by Baht 75,548 million, or 4.64 percent, over the end of 2014. This was due mainly to increased savings accounts per customers' cash management needs. We continued to maintain savings accounts at the highest proportion of total deposits, or 66.98 percent, while fixed-term accounts declined over-year due to falling interest rates, plus the launch of other investment alternatives with higher returns and risks acceptable by customers.

Treasury Operations

In 2015, overnight interbank lending rates decreased steadily, from 1.90 percent at the beginning of 2015 to 1.40 percent at the year-end. The cut was in line with the Monetary Policy Committee (MPC)'s decreases in the policy rate twice, from 2.0 percent to 1.75 percent, and to 1.50 percent, in the meeting held on March 11 and April 29, 2015, respectively. The BOT has laid down BIBOR Procedure which became effective in April 2015. The guidelines aim to create confidence and prevent any losses that may be caused by improper preparation of BIBOR which does not reflect the actual market circumstances.

KBank's liquidity position and investment portfolios were appropriately managed to cope with future changes in business conditions and in conformity with the domestic economy and money market. During 2015, our liquidity position was adequate to efficiently accommodate changes in business conditions and helped enhance returns on investments. We made investments from excess liquidity in short-term Thai government bonds with 6-month to one-year maturity to cushion against volatility from the US policy rate trend. When return in the market was favorable, we shifted to invest in long-term government bonds. In addition, KBank invested in short-term foreign bonds when their returns were more attractive than their Thai counterparts to generate returns within an appropriate risk appetite.

Treasury Operations Income

(Units: Million Baht)

Income Structure of Treasury Operations (Banking Book)	Percent of Total Income	2015	2014	Change	
				Million Baht	Percent
Interest Income*					
Interbank and money market items**	38.90	3,211	2,541	670	26.37
Investments	61.10	5,044	7,634	(2,590)	(33.93)
Total	100.00	8,255	10,175	(1,920)	(18.87)

Note : * Managerial figures

** Including loans

During 2015, total interest income stood at Baht 8,255 million, falling by Baht 1,920 million, being 18.87 percent less than in 2014 due to lower returns in the market.

Liquid Asset Ratio

KBank maintains the liquid asset ratio at not lower than 6.00 percent of the total deposits and several types of borrowings in accordance with the BOT regulations. As of December 31, 2015, our cash in hand, cash at cash center and eligible securities totaled Baht 434,560 million.

Operating Performance of K Companies and Muang Thai Life Assurance PCL

Operating Performance of K Companies* and Muang Thai Life Assurance PCL

(Units: Million Baht)

Performance Measurement		2015	2014
KASIKORN FACTORY AND EQUIPMENT CO., LTD. (KF&E)	Outstanding Loans	13,397	12,378
KASIKORN LEASING CO., LTD. (KLeasing)	Outstanding Loans	88,671	89,783
KASIKORN ASSET MANAGEMENT CO., LTD. (KAsset)	Assets under Management (AUM)	1,131,737	1,092,180
	Market Share (Percent)	20.45	21.31
KASIKORN SECURITIES PCL (KSecurities)	Trading Volume	859,937	1,250,783
	Market Share (Percent)	4.40	6.15
Muang Thai Life Assurance PCL (MTL)	Net Premiums Earned	xx	46,105
	Market Share (Percent)	xx	17.54

Note: *KResearch is not included, since this company does not engage in financial business.

During 2015, K Companies and Muang Thai Life Assurance PCL (MTL) attained satisfactory qualitative and quantitative operating performance, attributable to the close cooperation between KBank and K Companies, as well as MTL.

KAsset has maintained the number-one position in mutual asset management business in the category of mutual funds, with a total market share of 22.70 percent; its total market share of assets under management (AUM) was 20.45 percent. The good performance benefited from its synergy with KBank, as well as product enhancement to match consumers' needs, plus expansion of electronic channels and improvement of service quality.

As for KSecurities, emphasis has been placed on development of products and services, especially research, securities trading services and investment banking to be more responsive to investor needs and lifestyles. Research papers have been made more timely, in-depth and precise. Along with this, technologies for stock selection and up-to-date investment analyses have been introduced, including

the KS Super Stock Mobile Application, which allows real-time stock price monitoring plus an alert system, keeping investors abreast of every market movement and useful data for effective investment decisions. Another notable effort is the KS Automated Trading System, featuring an automatic trading platform for both stocks and derivatives, such as derivative warrants, equity linked notes, single stock futures, etc. These instruments offer various alternatives to investors for gaining profits in any market condition. Moreover, KSecurities has regularly conducted personnel development to ensure that they are able to offer professional advice to customers. With firm commitment towards product and service development in all dimensions, KSecurities maintained its market leadership in 2015, with a market share of 4.40 percent.

KLeasing was able to maintain its outstanding loans close to that of 2014, with a slight decline of 1.24 percent, amid the country's domestic auto sales contraction of 9.33 percent. Among the better-performing products was Auto Dealer Floor Plan, with loan growth of 14.29 percent during the year. Asset quality remains healthy with an NPL ratio of 1.50 percent, lower than the banking industry average. Through enhancements in service quality and the introduction of responsive campaigns, KLeasing strives to offer an excellent service experience to retail and corporate customers.

KF&E reported over-year loan growth of 8.23 percent, in alignment with the company's 2015 target. Loans were extended to diverse industries nationwide. In addition to forging alliances with their customers who are machinery dealers, it has been working with KBank RMs to achieve service excellence with the higher customers' satisfaction level.

MTL upheld its leading position in life insurance business, with the number-one market share in new business premiums at 22.13 percent, and the number-two market share in total premiums at 16.35 percent. The company remained at the forefront in bancassurance, with a total market share of 27.37 percent and over-year growth in total premiums on bancassurance at 18.19 percent, thanks to close cooperation with KBank in developing insurance plans that are responsive to KBank customers' needs.

Capital Requirements*

Placing great emphasis on equity capital as a significant funding source for business operations that also reflects the financial strength and credibility of a financial institution, KBank's and the Conglomerate's capital management frameworks are consistent with Basel III requirements. KBank's Capital Management Sub-committee is responsible for planning and overseeing capital adequacy, under the supervision of the Risk Management Committee, which supervises overall risk management. KBank has assessed our capital adequacy based on economic outlook, our business plans and regulatory changes while also regularly undertaking stress tests to ensure that we have adequate capital for operations under normal and crisis situations.

As of the end of 2015, KBank, under the Basel III capital requirements, had capital funds of Baht 296,126 million, consisting of Baht 234,707 million in Tier-1 capital and Baht 61,419 million in Tier-2 capital. The capital adequacy ratio of KBank was 17.39 percent, significantly above the BOT's minimum requirement of 8.50 percent. Details of the capital adequacy ratio of KBank are shown in the following table:

Capital Adequacy Ratio

➤ The Bank

(Units: Percent)

Capital Adequacy Ratio	Basel III					
	Minimum Requirement	Dec. 31, 2015	Sep. 30, 2015	Jun. 30, 2015	Mar. 31, 2015	Dec. 31, 2014
Tier-1 Capital Ratio***	6.00	13.79	13.84	13.10	12.61	12.88
Common Equity Tier-1 Ratio	4.50	13.79	13.84	13.10	12.61	12.88
Tier-2 Capital Ratio	-	3.60	3.23	3.73	3.88	3.88
Capital Adequacy Ratio	8.50	17.39	17.07	16.83	16.49	16.76

➤ **KASIKORNBANK FINANCIAL CONGLOMERATE****

(Units: Percent)

Capital Adequacy Ratio	Basel III					
	Minimum Requirement	Dec. 31, 2015	Sep. 30, 2015	Jun. 30, 2015	Mar. 31, 2015	Dec. 31, 2014
Tier-1 Capital Ratio***	6.00	14.53	14.61	13.77	13.20	13.49
<i>Common Equity Tier-1 Ratio</i>	<i>4.50</i>	<i>14.53</i>	<i>14.61</i>	<i>13.77</i>	<i>13.20</i>	<i>13.49</i>
Tier-2 Capital Ratio	-	3.47	3.12	3.62	3.81	3.82
Capital Adequacy Ratio	8.50	18.00	17.73	17.39	17.01	17.31

Note: * Excluding net profit of each period, which under the Bank of Thailand's regulations, net profit in the first period is to be counted as capital after approval by the Board of Directors as per KBank's regulations. Net profit in the second period is also counted as capital after approval of the General Meeting of Shareholders. However, whenever a net loss occurs, the capital must be immediately reduced at the end of period.

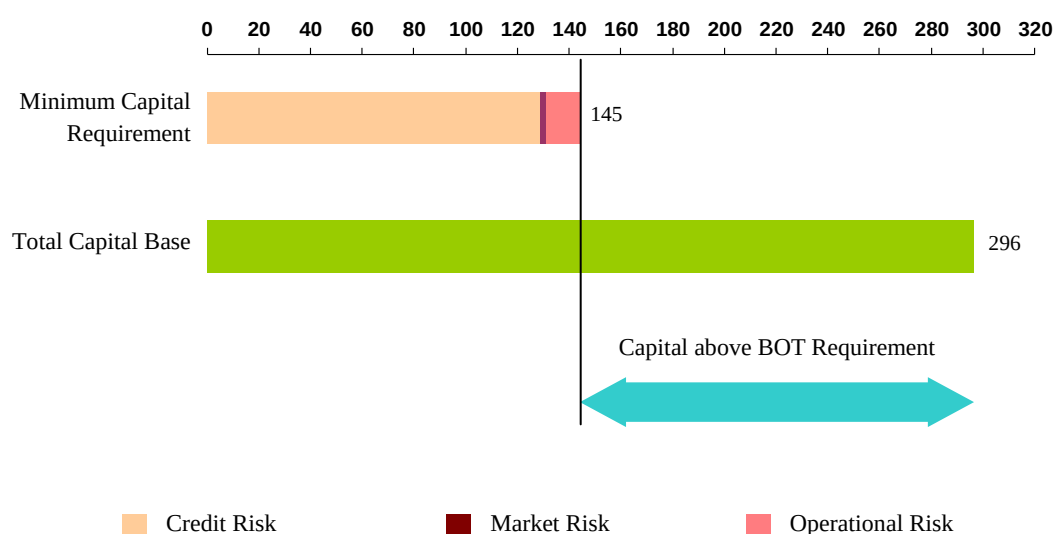
** KASIKORNBANK FINANCIAL CONGLOMERATE means the company under the Notification of the Bank of Thailand Re: Consolidated Supervision, consisting of KASIKORNBANK, K Companies and subsidiaries operating in support of KBank, Phethai Asset Management Co., Ltd. and other subsidiaries within the permitted scope from the BOT's to be a financial conglomerate.

*** According to Basel III Capital Requirements, Tier-1 Capital is required to include phase-in or phase-out items at 20 percent p.a. from January 1, 2014, onwards, until reaching 100 percent in 2018.

KBank's minimum capital requirement under the Basel III totaled Baht 144,702 million, or equivalent to risk assets of Baht 1,702,380 million. Our credit risk, regarded as KBank's key risk, represented 88.91 percent of the total regulatory requirement. The difference between our minimum capital requirement under the Basel III and our current available capital of Baht 296,126 million, indicates that we have Baht 151,424 million in capital above the minimum requirement. These levels of capital beyond regulatory requirements are adequate for future business growth during normal and stressed conditions, reflecting our capability to maximize returns to shareholders.

Capital Adequacy (Bank-Only)**As of Dec. 31, 2015**

(Units: Billion Baht)



Performance Measurements using Risk-Adjusted Return on Capital (RAROC) and Economic Profit (EP)

During 2015, we continued to implement Value-Based Management (VBM), which is a management practice that aims to achieve the highest value creation for our shareholders in accordance with our business strategies and goals. In achieving this objective, the Risk-Adjusted Return on Capital (RAROC) and Economic Profit (EP) – showing net profit after adjusting for both the risk charge and cost of capital – have been adopted as key measurements.

We have developed guidelines for performance measurements consistent with various management aspects, including business targeting, strategic and business planning that takes into consideration risk-adjusted returns, risk-based pricing and efficient resource management. In addition, we measure our business performance and analyze value-based profit, along with our “Customer-Centricity” strategy to strengthen our competitiveness across the board in customer segments and product domains, paying attention to the linkages between them. Meanwhile, related business units have adopted value-based analyses for their viability assessments on investment projects, allowing them to effectively adjust their business strategies in alignment with fast-changing market conditions and attain the highest efficiency in the use of capital.

Credit Ratings

In 2015, KBank’s credit rating given by Standard & Poor’s and Fitch Ratings remained unchanged from the end of 2014. However, due to a change in the global bank rating methodology of Moody’s Investors Service, without any change in its view towards KBank fundamentals, our foreign currency senior unsecured debt and long-term local currency deposit ratings were downgraded from A3 to Baa1. Moreover, Moody’s Investors Service assigned Counterparty Risk Assessments (CR Assessments) to KBank.

Details are shown in the following table.

KASIKORNBANK’s Credit Ratings

Credit Ratings Agency	Dec. 31, 2015	Dec. 31, 2014
Moody’s Investors Service *		
<u>Foreign Currency</u>		
Outlook	Stable	Stable
Long-term - Senior Unsecured Notes	Baa1 **	A3
- Deposit	Baa1	Baa1
- Counterparty Risk Assessments	Baa1(cr)	n.a.
Short-term - Debt/Deposit	P-2	P-2
- Counterparty Risk Assessments	P-2(cr)	n.a.
Subordinated Debt	Baa3	Baa3
Bank Financial Strength Rating (BFSR)	C-	C-
Outlook for BFSR	Stable	Stable
Baseline Credit Assessment	Baa2	Baa2
<u>Domestic Currency</u>		
Outlook	Stable	Stable
Long-term - Deposit	Baa1 **	A3
Short-term - Debt/Deposit	P-2	P-2

Credit Ratings Agency	Dec. 31, 2015	Dec. 31, 2014
Standard & Poor's *		
<u>Global Scale Ratings</u>		
Outlook	Stable	Stable
Long-term Counterparty Credit Rating	BBB+	BBB+
Long-term Certificate of Deposit	BBB+	BBB+
Short-term Counterparty Credit Rating	A-2	A-2
Short-term Certificate of Deposit	A-2	A-2
Senior Unsecured Notes (Foreign Currency)	BBB+	BBB+
Subordinated Debt (Foreign Currency)	BBB	BBB
<u>ASEAN Regional Scale Ratings</u>		
Long-term	axA+	axA+
Short-term	axA-1	axA-1
Subordinated Debt	axA	axA
Fitch Ratings *		
<u>International Credit Ratings (Foreign Currency)</u>		
Outlook	Stable	Stable
Long-term Issuer Default Rating	BBB+	BBB+
Short-term Issuer Default Rating	F2	F2
Senior Unsecured Notes	BBB+	BBB+
Viability	bbb+	bbb+
Support	2	2
Support Rating Floor	BBB-	BBB-
<u>National Credit Ratings</u>		
Outlook	Stable	Stable
Long-term	AA(th)	AA(th)
Short-term	F1+(th)	F1+(th)
Subordinated Debt (Legacy Basel II Tier 2 Securities)	AA-(th)	AA-(th)
Subordinated Debt (Basel III-compliant Tier 2 Securities)	AA-(th)	AA-(th)

Note: * The base levels for investment grade on long-term credit ratings for Moody's Investors Service, Standard & Poor's, and Fitch Ratings are Baa3, BBB- and BBB-, respectively. For short-term credit ratings, the base levels for investment grade as viewed by these three agencies are P-3, A-3, and F3, respectively.

** Due to a change in the global bank rating methodology of Moody's Investors Service, without any change in its view towards KBank fundamentals, our foreign currency senior unsecured debt and long-term local currency deposit ratings were downgraded from A3 to Baa1.