

**Part 1**  
**Business Operations**

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## 1. Policy and Overview of Business

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### Background

KASIKORNBANK Public Company Limited (KBank) 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.

### Vision

KASIKORNBANK aims to be a most innovative, dynamic, and proactive customer-centric financial institution that creates sustainability for all stakeholders.

### Mission

KASIKORNBANK aims to harmoniously combine technology and human resources to sustainably create world-class-quality financial services, so as to achieve optimal benefits for all stakeholders.

### Core Values

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

### Overview of Operating Environment

#### 1. Global and Thai Economy in 2016 and Outlook for 2017

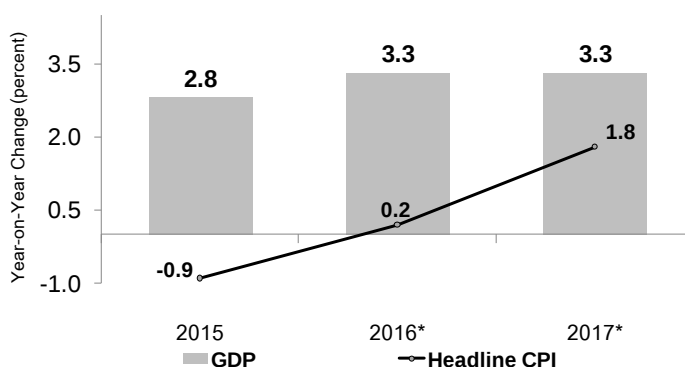
The global economy faced headwinds throughout 2016. Nonetheless, core economies still grew, led by the healthy US economy, especially its brighter labor market. Economic slowdown was seen elsewhere, as projected, particularly in China, the European Union and Japan. Surging oil and commodity prices helped shore up oil-exporting and emerging economies. The situation was reflected in the World Economic Outlook of the International Monetary Fund, which projected that the global economy may grow 3.1 percent in 2016, slightly lower than the 3.2-percent growth in 2015.

Looking forward into 2017, the world economy is expected to see fragile recovery amid numerous challenges. Of particular note will be US's "America First" policy, which may pose a new threat to the global trade. Other issues which warrant close monitoring are Chinese economic sluggishness, and uncertainty in the EU, particularly during the process of the UK leaving the EU (Brexit), and general elections which will be held in several Eurozone countries. Against this backdrop, many central banks worldwide may maintain the status quo in their monetary policies for 2017. The Federal Reserve may continue to hike its policy rate while other central banks may keep their accommodative stance intact through the entire year, even though inflation in certain countries has edged up in line with hikes in global oil prices.

In Thailand, economic indicators for the fourth quarter of 2016 showed that despite lethargic tourism and private investment, better-than-expected exports, acceleration in the government's budget disbursements and stimulus measures to boost year-end spending somewhat offset the downsides, thus supporting the Thai economy to grow at 3.0 percent over-year. Overall, the Thai economy in 2016 saw growth of 3.2 percent, supported by government spending and stimulus efforts as well as thriving tourism during the first three quarters

of 2016. For the 2017 outlook, Thailand may enjoy more balanced economic growth. Despite decelerating growth of tourism, public investment and private consumption, exports are set to be bolstered by rebounding oil and commodity prices in the global market. Meanwhile, private investment may receive a boost from projects related to the government's infrastructure investment. For the Thai monetary policy, the Bank of Thailand's policy rate is expected to stay low at 1.50 percent for the whole year to accommodate domestic economic activity, which is on a recovery path. Nonetheless, Thai government bond yields may edge up in line with those of US Treasury bonds, in expectation of US rate hikes throughout the year.

### Thailand Economic Growth



Sources: Office of the National Economic and Social Development Board and Ministry of Commerce  
\* Projection by KResearch

## 2. Banking Industry, Competition and Emerging Risks

### • Banking Industry and Competition

Commercial banks' overall performance in 2016 was challenged by surging costs and expenses. While asset quality management was their priority, most banks also provided assistance to customers amid the feeble economic recovery. With slower loan disbursements in line with lackluster private investment, loans for 2016 showed limited growth, thus putting pressure on interest and fee income – the core revenue of the banking system. To cushion against possible future risks, meanwhile, most banks had to set aside higher allowance for impairment loss on loans, which prompted an increase in coverage ratio compared to the previous year.

With regard to commercial banks' ability to generate income, net interest income of the Thai banking system increased over-year. The rise could be attributed to their effective cost management despite falling interest income. Likewise, net interest margin (NIM) was higher, especially that of small-sized commercial banks which benefited from revival in auto financing. At the same time, net non-interest income grew at a decelerating rate from the year before, as a result of a high base effect, soaring fees and service expenses, as well as declines in gains on trading and foreign exchange transactions and gains on investments in line with volatile financial markets. Given commercial banks' effective cost management, cost-to-income ratio was almost unchanged from the year before.

For the outlook of commercial banks in 2017, loans are likely to see higher growth than in 2016. Interest income is set to increase over-year with support of brighter prospects of public and private investment, and a certain number of debtors being released from debt burdens after the end of the first-car buyer scheme. Moreover, the debt quality problem will likely ease in light of further signs of Thai economic recovery. Amid the global interest rate uptrend and the rising ratio of loan to deposit plus bills of exchange (B/E), however, funding cost management will remain a challenge for commercial banks. Therefore, NIM may remain almost on a par with the year before. On the fee income front, challenges still exist. These included the National

e-Payment Master Plan, with the launch of the PromptPay service slated for January 2017, and heightened rivalry with new players joining the fray, especially in the payment business. However, most banks have focused more on innovation, shifting to develop their financial products and services via digital channels as a means to create new fee income while also sustaining the overall fee income. Given commercial banks' ability to generate income as earlier mentioned, along with effective cost management, their profitability may remain steady in 2017.

As of December 31, 2016, KBank ranked fourth in assets, deposits and net loans in the commercial banking system, with the market shares of 13.92 percent, 14.61 percent, and 13.99 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.

(Unit: Million Baht)

| Bank                                            | Assets            | Market Share (%) | Deposits          | Market Share (%) | Net Loans         | Market Share (%) |
|-------------------------------------------------|-------------------|------------------|-------------------|------------------|-------------------|------------------|
| Bangkok Bank                                    | 2,838,799         | 16.02            | 2,116,659         | 17.19            | 1,777,103         | 15.64            |
| Siam Commercial Bank                            | 2,661,442         | 15.02            | 2,021,454         | 16.42            | 1,850,637         | 16.29            |
| Krung Thai Bank                                 | 2,614,798         | 14.75            | 1,975,158         | 16.04            | 1,734,199         | 15.26            |
| <b>KASIKORNBANK</b>                             | <b>2,467,252</b>  | <b>13.92</b>     | <b>1,798,440</b>  | <b>14.61</b>     | <b>1,589,192</b>  | <b>13.99</b>     |
| Bank of Ayudhya                                 | 1,805,967         | 10.19            | 1,102,914         | 8.96             | 1,302,638         | 11.46            |
| Thanachart Bank                                 | 906,868           | 5.12             | 677,807           | 5.50             | 632,310           | 5.56             |
| TMB Bank                                        | 820,172           | 4.63             | 599,021           | 4.87             | 568,335           | 5.00             |
| United Overseas Bank                            | 451,743           | 2.55             | 324,081           | 2.63             | 308,971           | 2.72             |
| CIMB THAI                                       | 295,623           | 1.67             | 183,877           | 1.49             | 193,189           | 1.70             |
| TISCO Bank                                      | 260,751           | 1.47             | 155,951           | 1.27             | 213,994           | 1.88             |
| Kiatnakin Bank                                  | 220,312           | 1.24             | 110,209           | 0.90             | 167,442           | 1.47             |
| Land and Houses Bank                            | 209,695           | 1.18             | 149,639           | 1.22             | 138,051           | 1.22             |
| Standard Chartered Bank (Thailand)              | 190,701           | 1.08             | 52,180            | 0.42             | 32,284            | 0.28             |
| ICBC (Thai)                                     | 158,151           | 0.89             | 92,024            | 0.75             | 93,797            | 0.83             |
| Bank of China (Thailand)                        | 43,946            | 0.25             | 21,996            | 0.18             | 21,164            | 0.19             |
| Thai Credit Retail Bank                         | 39,334            | 0.22             | 32,905            | 0.27             | 32,887            | 0.29             |
| Sumitomo Mitsui Trust Bank (Thai)               | 29,260            | 0.17             | 8,607             | 0.07             | 19,903            | 0.18             |
| ANZ Bank (Thai)                                 | 28,242            | 0.16             | 996               | 0.01             | 9,077             | 0.08             |
| Mega International Commercial Bank              | 20,212            | 0.11             | 11,675            | 0.09             | 15,287            | 0.13             |
| <b>Domestically-registered commercial banks</b> | <b>16,063,268</b> | <b>90.64</b>     | <b>11,435,593</b> | <b>92.88</b>     | <b>10,700,460</b> | <b>94.17</b>     |
| Foreign bank branches                           | 1,658,108         | 9.36             | 877,085           | 7.12             | 662,789           | 5.83             |
| <b>All commercial banks</b>                     | <b>17,721,376</b> | <b>100.00</b>    | <b>12,312,678</b> | <b>100.00</b>    | <b>11,363,249</b> | <b>100.00</b>    |

Source: C.B. 1.1 and C.B 1.2 (Bank-only Financial Statements)

### • Emerging Risks

Over the next three to five years, the Thai banking system will face numerous challenges. Aside from impacts on economic and business trends, they may have direct and indirect effects on the commercial banking business. In detail:

- 1. International trade policy change:** Regional trade blocs and protectionism may become more prevalent. The US will move forward with changes in its international trade policy, leading to heightened protectionism towards non-US allied countries, through either tariff or non-tariff measures. As a signatory to various FTA agreements such as the

ASEAN Economic Community (AEC) and ongoing negotiations on other FTA pacts, Thailand should retain access to free trade areas and the world's major markets. However, it is imperative to keep a close watch on US trade policy, which will have implications for various countries, especially China – Thailand's major trade partner. This issue may affect Thai exports over the medium to long term, as well as business competitiveness. On another front, Thai businesses, especially SMEs dependent on the domestic market, will need to adapt as free trade policies attract new competitors to the market. These challenges could potentially impact trends and growth prospects for the banking industry.

- 2. Demographic change and consumer behavior amid fast-changing technology:** Thailand will become an aged society within the next 10 years. The millennial generation more and more drives the global and domestic economies. As millennial lifestyles are sharply different from those of previous generations, particularly in the familiarity with and fast adoption of new technology. They will certainly influence a change in products and services including service channels. The competitive landscape among service providers is changing significantly, with a rising number of new players from different businesses. Competition in the payment business is perhaps the clearest example. As consumers choose to make payments electronically rather than at physical pay points such as branches and ATMs, multiple providers are rushing to take advantage of this trend, with banks, non-bank entities such as FinTech companies and e-Commerce providers, and retailers jumping onto this bandwagon. As the rivalry intensifies, it's consumers that stand to benefit the most.
- 3. Industry transformation/transformation of business models:** While the rapid introduction of new technology offers opportunities for businesses able to embrace change to maintain competitive edge and profit growth, this may pose real threats to those who are slow to adapt, putting their competitiveness in jeopardy over the medium to long term.
- 4. Climate change: Regarded as a long-term risk to global and Thai economic stability,** climate change will directly impact food security and the quality of life, inevitably affecting businesses and commercial banks, alike.
- 5. Regulatory change:** This involves changes to accounting and international capital standards, regulatory requirements of the Thai financial market, consumer protection and privacy policy laws, as well as electronic security standards. It is imperative for commercial banks to fine-tune their business undertakings in compliance with changing regulations. Doing so will not only bolster confidence among stakeholders but also be conducive to the public good and economic stability over the long term.

### **3. Regulatory Changes<sup>1</sup>**

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

- **Securities and Exchange Act (No. 5) B.E. 2559 (2016)**

The Securities and Exchange Act (No. 5) B.E. 2559 (2016) which came into effect on December 12, 2016 contains salient points as follows.

<sup>1</sup> 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.

1. Amendments were made to the provision concerning market misconduct for greater clarity and new types of offences were added for broader coverage. Examples of the new offences include disseminating analyses or forecasts based on false data to the public; front running, that is, using knowledge of an impending trade to benefit by trading in advance; and using nominee's trading account or allowing another person to use one's securities trading account in such a way as to conceal one's identity.

2. Civil penalties are added which may be used, in certain circumstances, as an option apart from criminal penalties, to improve the effectiveness of law enforcement and for greater investor protection. The new civil penalties may be applied where offences with high impact on the trustworthiness and transparency of the capital market are committed. Such offences include market misconduct (e.g. insider trading); breaching the law on information disclosure to the detriment of investors and the capital market; directors or executives of listed companies fail to perform their fiduciary duties (responsibility, prudence and integrity); and using nominee's account or allowing another person to use one's securities trading account in such a way as to conceal one's identity. In cases where the offender admits to the civil penalties and makes full payment, the case - both the civil and criminal - shall be terminated.

3. The scope of securities holding reports of directors, managers and executives is expanded to include unmarried partners, and any juristic person in which more than 30 percent of shares with voting rights are collectively held by the said persons.

This amendment revises the element of offences and enhances law enforcement for greater efficiency, bringing the law up-to-date and in line with international standards, helping to accommodate capital market connectivity and the launch of new financial products. KBank has already put in place necessary procedures for compliance.

- **Counter-Terrorism and Proliferation of Weapon of Mass Destruction Financing Act B.E. 2559 (2016)**

Effective December 31, 2016, Counter-Terrorism and Proliferation of Weapon of Mass Destruction Financing Act B.E. 2559 (2016) includes measures intended to prevent financing that supports the proliferation of weapons of mass destruction (WMD):

1. Expand the definition of designated persons to include those whose actions are involved with proliferation of WMD such as nuclear, biological, chemical or other weapons which cause serious harm to lives of human, animal, plant or environment similar to such weapons, including means of delivery, component or equipment of such weapons.

2. Upon identifying any designated person, KBank shall freeze the assets of designated persons or a person acting on behalf of, or at the direction of, or an undertaking owned or controlled by such persons, directly or indirectly; and inform the Anti-Money Laundering Office.

3. KBank is responsible for setting out a risk assessment policy or any guidance for the prevention of being used as a channel for financing proliferation of WMD.

The Act has caused KBank to adopt stringent procedure and practices to uplift its Anti-Money Laundering and Counter-Terrorism Financing (AML/CFT) operations to comply with international standards as recommended by Financial Action Task Force (FATF) on money laundering which KBank has already made preparation in this respect.

- **National e-Payment Master Plan**

Recognizing the importance and benefits of the National e-Payment Master Plan for the general public, the government and Thailand as a whole, KBank, in collaboration with other banks, via the Thai Bankers' Association, has established a

procedure to develop common payment systems to be consistent with the Plan. We have also devised operational guidelines and upgraded our IT system to accommodate the changes. In detail:

- PromptPay: The program involves a funds transfer service which requires the recipient's national ID or mobile phone number as a reference. Together with the Thai Bankers' Association, KBank has established relevant processes and conditions for registration with the highest system security to accommodate person-to-person payment (P2P) as well as funds transfer from businesses or the government to the public. Registration for PromptPay is open at KBank, with the P2P program launched in January 2017.
- Card Expansion: To promote e-Payment via debit cards and/or mobile phones, KBank has expanded our debit cardholder base with the issuance of debit cards under the Local Card Scheme. An expansion of EDC service is also in the pipeline.
- e-Tax: Guidelines have been established for the development of comprehensive payment systems, e.g., e-Tax Invoicing, e-Receipts and e-Withholding Tax, to assist our customers in business management.
- Market Education and Activation Program: To remain at the forefront as a digital banking provider and to encourage our customers to migrate to e-Payment use, we will be enhancing our capacities in digital banking channels to meet their diverse needs. In parallel, knowledge about e-transaction security will be disseminated to the public.

- **Guidelines for Technology-led Business Undertakings and Competition with Non-Bank Entities**

KBank is fully aware of the coming digital economy. Digital technologies are now playing a pivotal role in driving innovation and organization transformation for enhanced competitive capabilities and excellent customer experiences. Technologies are opening up new horizons to financial services. To brace for this new phenomenon, KBank has embraced an integrated strategy of managing the existing core businesses for prolonging existing revenue in parallel with creating new business models by building the new sustainable capabilities and strengths. The two business models are being developed so as to balance and complement each other.

From KBank's perspective, not only do consumers stand to benefit from the entry of non-bank competitors, but KBank also gains opportunities for partnering with the new players. We envision working with them in developing financial service innovations along with strengthening our competitiveness with even greater service excellence and in delivering exceptional experiences to every customer segment.

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

In 2016, the IFRS Conversion Project was still focused on management in preparation for compliance with IFRS 9 Financial Instruments. Collaboration has been sought with government agencies as well as other Thai and foreign commercial banks for the establishment of operational guidelines which are aligned with Thailand's long-term economic development strategies and financial reporting standards. In addition, we have improved work process and database served as a foundation for work system development to accommodate the Project, which will come into effect on January 1, 2019.

## 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 2016, KBank had 1,107 branches, 8,973 ATMs and 2,710 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)

|                                                                               | 2016           |              | 2015           |              | 2014           |              |
|-------------------------------------------------------------------------------|----------------|--------------|----------------|--------------|----------------|--------------|
|                                                                               | Amount         | %            | Amount         | %            | Amount         | %            |
| <b>Interest income</b>                                                        |                |              |                |              |                |              |
| <b>Interbank and money market items</b>                                       | <b>5,892</b>   | <b>3.84</b>  | <b>3,897</b>   | <b>2.64</b>  | <b>3,303</b>   | <b>2.38</b>  |
| Deposits                                                                      | 364            | 0.24         | 712            | 0.48         | 993            | 0.71         |
| Loans (without repurchase agreements)                                         | 439            | 0.28         | 643            | 0.44         | 249            | 0.18         |
| Repurchase agreements                                                         | 5,089          | 3.32         | 2,542          | 1.72         | 2,061          | 1.49         |
| <b>Investments</b>                                                            | <b>15,032</b>  | <b>9.80</b>  | <b>15,173</b>  | <b>10.29</b> | <b>16,240</b>  | <b>11.71</b> |
| Trading investments                                                           | 258            | 0.17         | 319            | 0.22         | 339            | 0.24         |
| Available-for-sale investments                                                | 2,846          | 1.85         | 4,724          | 3.20         | 7,379          | 5.32         |
| Held-to-maturity investments                                                  | 11,928         | 7.78         | 10,130         | 6.87         | 8,522          | 6.15         |
| <b>Loans</b>                                                                  | <b>89,923</b>  | <b>58.62</b> | <b>90,160</b>  | <b>61.12</b> | <b>88,989</b>  | <b>64.18</b> |
| <b>Hire purchase and financial lease</b>                                      | <b>5,014</b>   | <b>3.27</b>  | <b>5,118</b>   | <b>3.47</b>  | <b>4,985</b>   | <b>3.60</b>  |
| <b>Others</b>                                                                 | <b>12</b>      | <b>0.01</b>  | <b>5</b>       | <b>0.00</b>  | <b>61</b>      | <b>0.04</b>  |
| <b>Total interest income</b>                                                  | <b>115,873</b> | <b>75.54</b> | <b>114,353</b> | <b>77.52</b> | <b>113,578</b> | <b>81.91</b> |
| <b>Total interest expenses</b>                                                | <b>26,195</b>  | <b>17.08</b> | <b>29,341</b>  | <b>19.89</b> | <b>30,446</b>  | <b>21.95</b> |
| <b>Total interest income - net</b>                                            | <b>89,678</b>  | <b>58.46</b> | <b>85,012</b>  | <b>57.63</b> | <b>83,132</b>  | <b>59.96</b> |
| <b>Non-interest income</b>                                                    |                |              |                |              |                |              |
| Fees and service income                                                       | 48,631         | 31.70        | 46,413         | 31.46        | 42,690         | 30.79        |
| Fees and service expenses                                                     | 9,688          | 6.32         | 8,887          | 6.02         | 8,746          | 6.31         |
| <b>Fees and service income - net</b>                                          | <b>38,943</b>  | <b>25.38</b> | <b>37,526</b>  | <b>25.44</b> | <b>33,944</b>  | <b>24.48</b> |
| Gain on trading and foreign exchange transactions                             | 8,746          | 5.70         | 8,887          | 6.02         | 6,132          | 4.42         |
| Loss on financial liabilities designated at fair value through profit or loss | (4)            | (0.00)       | (6)            | (0.00)       | (3)            | (0.00)       |
| Gain on investments                                                           | 1,588          | 1.04         | 785            | 0.53         | 1,183          | 0.85         |
| Share of profit from investments using equity method                          | 117            | 0.08         | 96             | 0.06         | 88             | 0.06         |
| Dividend income                                                               | 1,609          | 1.05         | 1,346          | 0.91         | 1,097          | 0.79         |
| Net premiums earned                                                           | 94,445         | 61.57        | 85,380         | 57.88        | 73,088         | 52.71        |
| Other operating income                                                        | 2,462          | 1.60         | 1,528          | 1.04         | 1,314          | 0.95         |

|                                     |                |               |                |               |                |               |
|-------------------------------------|----------------|---------------|----------------|---------------|----------------|---------------|
| <u>Less</u> Underwriting expenses   | 84,181         | 54.88         | 73,039         | 49.51         | 61,319         | 44.22         |
| <b>Total non-interest income</b>    | <b>63,725</b>  | <b>41.54</b>  | <b>62,503</b>  | <b>42.37</b>  | <b>55,524</b>  | <b>40.04</b>  |
| <b>Total operating income - net</b> | <b>153,403</b> | <b>100.00</b> | <b>147,515</b> | <b>100.00</b> | <b>138,656</b> | <b>100.00</b> |

## Sustainability Development and Corporate Governance

### • Sustainability Development in Action<sup>2</sup>

KBank's Sustainable Development Policy has been established as guidelines for the operating processes of all KBank units, which cascades the targets to the implementation level. Action plan integration has created effectiveness of the concept, which in turn generates the maximum benefits to all stakeholders, both internal and external. KBank uses the Global Reporting Initiative (GRI) version G4 (Core) as the framework of our Sustainability Report. For this year, we have undertaken in-depth analyses of our operations and linked them with the United Nations Sustainable Development Goals (SDGs), in order to map out our development directions in accordance with international guidelines.

Processes to define the materiality per the GRI G4 guidelines include:

#### 1. Identification

KBank reviewed the material aspects of 2015 and studied the aspects set out in various sustainability standards, e.g., Dow Jones Sustainability Indices (DJSI). We conducted brainstorming sessions and used questionnaires to gather opinions as well as expectations of those at all divisions and external stakeholders. The information gained was compared with KBank's strategies and key risk factors in both the short and long term, thus allowing us to learn about factors influencing decision-making and materiality that our stakeholders deem important.

#### 2. Prioritization

KBank analyzed and reviewed the information gained from internal and external stakeholders, and prioritized the sustainable development issues into 12 aspects of three magnitudes of impact significance: small, moderate and large. Those issues have been prioritized in the Materiality Matrix, with the vertical axis for issues that are significant to stakeholders and the horizontal axis for issues that are significant to KBank.

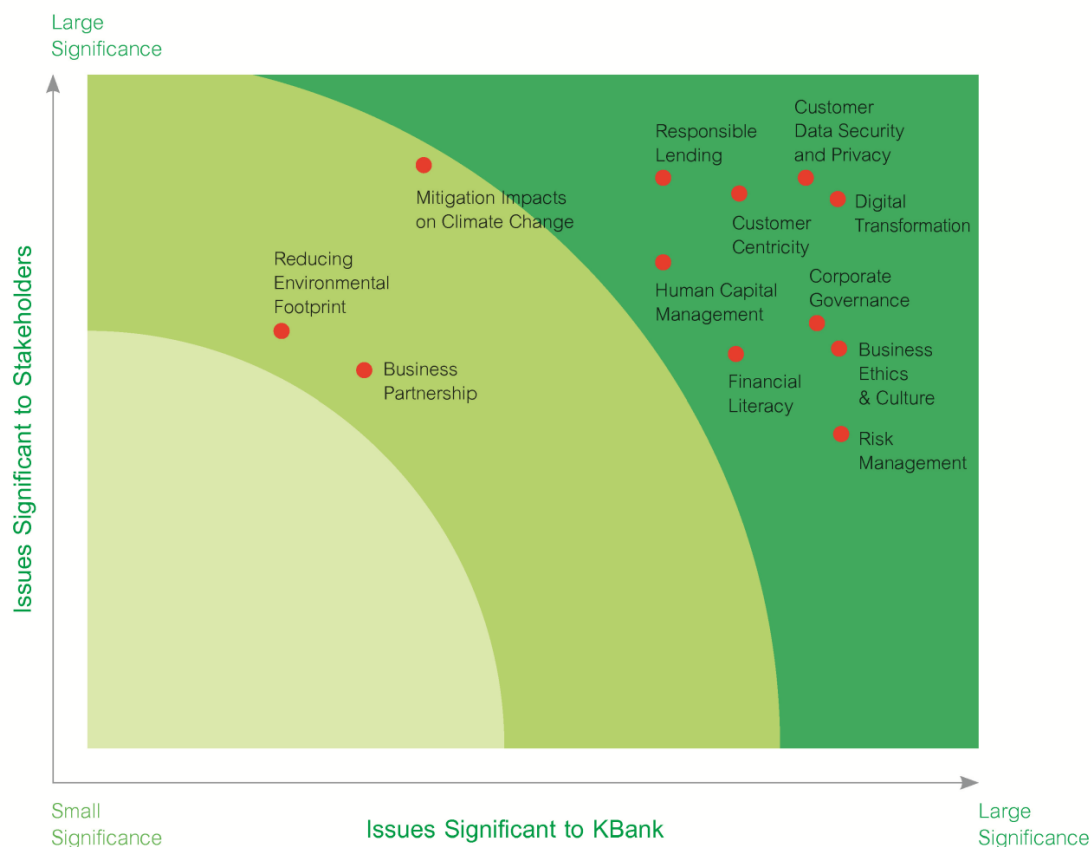
#### 3. Validation

KBank organized meetings with all KBank units to communicate the above-stated prioritization, operational guidelines and information submission, then submitted the material aspects to the Management and Corporate Governance Committee for consideration and validation, as well as for approval of operational guidelines and identification of material aspects in KBank's Sustainability Report and website.

#### 4. Review

KBank has in place an information review process after the Sustainability Report has been disseminated to the stakeholders. Their views and recommendations will be used to modify the contents of the subsequent report.

<sup>2</sup> More details on Materiality for both KBank and stakeholders can be found in Sustainability Report 2016.



Given our belief that stakeholder engagement is the key to KBank's ability to respond to stakeholders' requirements and expectations, we place importance on equal rights of all stakeholders, and our operational guidelines for stakeholders are stipulated in our Statement of Business Conduct, Code of Conduct and Annual Report. The AA 1000 Stakeholders Engagement Standard (AA 1000SES) has been adopted, while stakeholder engagement has been induced via related units. We have designed processes and procedures to identify their needs and concerns through various activities, e.g., meetings, customer and employee surveys, and in-depth interviews; results have been used to determine harmonized guidelines to alleviate any negative impact and create added value. With all of these endeavors, KBank strongly believes that we will always deliver excellent financial products and an unsurpassed service experience to all our stakeholders.

- **Corporate Governance**

Good corporate governance is essential in strengthening our sustainable performance, thereby allowing us to achieve our goals and enhancing our competitiveness. Meanwhile, our transparent and fair business operations, as well as collaboration at all levels within the organization, will enhance the confidence of our shareholders, investors at home and abroad, as well as other stakeholders.

KBank thus places great emphasis on the maintenance of corporate governance standards and development on a continuous basis. In 2016, the Corporate Governance Committee endorsed KASIKORNBANK Safety, Occupational Health and Working Environment Policy, including the Investor Relations Code of Conduct. The Committee also provided comments on the revision of Vision, Mission and Core Values, the Statement of Corporate Governance Principles, Charters of the Board of Directors, Independent Directors Committee, Board Committee and Management Committee, as well as KASIKORNBANK Disclosure Policy and Human Rights Policy to ensure that they are up-to-date in accordance with ongoing business operations of KBank, and in compliance with the laws and best practices.

Meanwhile, the Committee also provided recommendations on information management and control to enhance greater efficiency together with the consideration of projects related to the environment and society, to reaffirm KBank's good corporate practices and proper risk management by monitoring the implementation progress of environmental and social projects on a regular basis. The Committee has approved a strategic plan for good corporate governance activities and sustainable development action plan, while also providing recommendations on KBank's sustainable development operations in compliance with the Sustainable Development Goals of the United Nations, Dow Jones Sustainability Indices (DJSI), the FTSE4 Good Index and Carbon Disclosure Program.

### **Business Directions of KASIKORNBANK and the Wholly-owned Subsidiaries of KASIKORNBANK in 2016, and Outlook for 2017**

In 2016, the global and Thai economies saw limited growth. Thus, KBank focused our efforts on operating cost and asset quality management while also initiating assistance measures for our customers to sustain their businesses and financial status and to achieve long-term sustainable growth. With our "Customer Centricity" strategy, we strive for business development across all eight customer segments, product domains and service channels. To completely accommodate the varied needs of our customers, we adopted innovative financial technologies and synergy among companies within the Conglomerate and strategic partners. Guided by our business strategies, KBank has undertaken various efforts to embrace new business opportunities. In detail:

- Launching new K-MOBILE BANKING PLUS functions to provide greater convenience and speed for our customers in conducting financial transactions and services. The endeavor aims to maintain our digital banking leadership, thus enhancing customer satisfaction and fee income, which also comes from transaction banking – our main source of revenue.
- Establishing Beacon Venture Capital Company Limited to engage in venture capital business. The company focuses on investment in FinTech firms with the potential to boost financial product and service innovation and technological development at the faster speed. At the same time, KBank supports FinTech businesses in various ways to facilitate their expansion and future growth.
- Upgrading a representative office in Kingdom of Cambodia to be a full-service branch to provide financial services to our customers doing local business.
- Expanding the life insurance business of Muang Thai Life Assurance PCL into Kingdom of Cambodia, Lao People's Democratic Republic (Lao PDR) and the Socialist Republic of Vietnam. Through joint ventures with our local partners, we set up three new life insurance firms, namely Sovannaphum Life Assurance Public Company Limited in Kingdom of Cambodia, ST-Muang Thai Insurance Company Limited in Lao PDR, and MB Ageas Life Insurance Company Limited in the Socialist Republic of Vietnam.

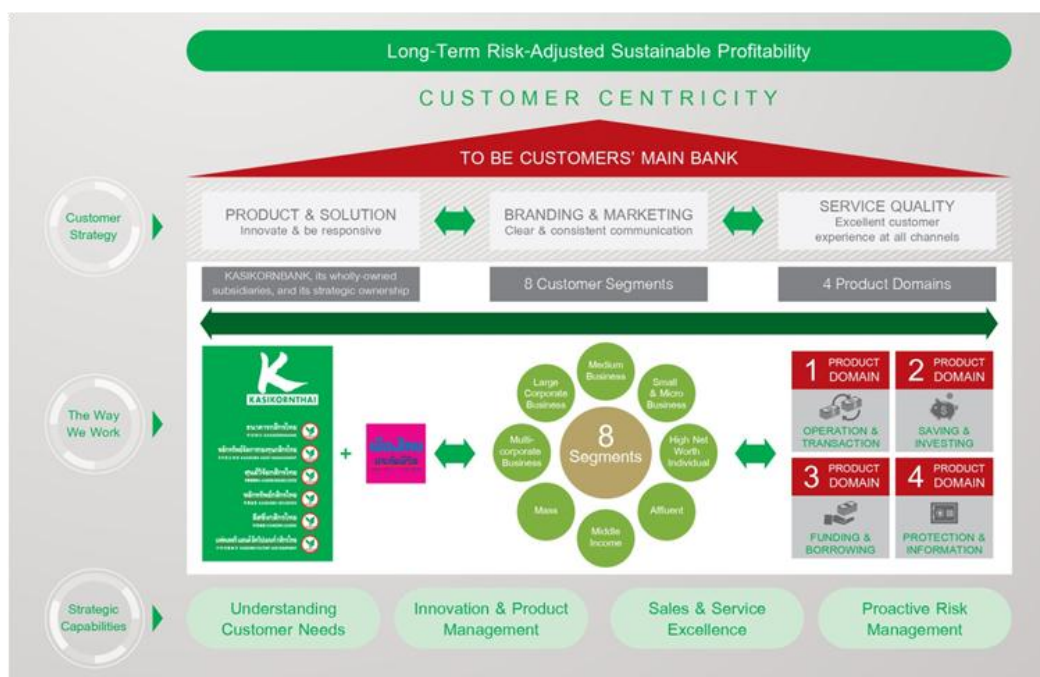
Beyond our business strategies, KBank places equal importance on proactive integrated risk management. To this end, principles and policies for management of all risks have been established for efficient capital management, while a culture of risk awareness has been instilled organization-wide to maintain 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.

Looking ahead into the next three years, we continue to face fragile Thai economic growth in 2016, a new competitive arena with a broader marketplace within the ASEAN Economic Community (AEC) and the advancing digital era amid external changes in terms of economy, regulatory requirements, new technologies and fast-changing consumer behavior. The Conglomerate's core strategies emphasize the expansion of our business capabilities to achieve long-term sustainable growth and returns while maintaining our leadership in the market. Blending technology and collaboration with our business partners and startup firms, we aim to create financial product and service innovations, and to uplift our sales and service quality excellence with more consideration on customer rights protection. Along with this, we are always committed to efficient operating cost management and asset quality management with the adoption of proactive, effectively and timely executed integrated risk approach. To maximize our resource utilization, IT and information management has been made a focus through the setting up of infrastructure and adoption of appropriate tools and human resource management has been concentrated on employee potential enhancement, leadership development, organizational culture reinforcement and staff productivity increase.

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

- **Corporate customers:** We are determined to meet all the needs of our corporate customers by providing total solution including strategic advice to support their business growth and sustainable competitiveness, best funding solutions from our large investor networks, and best financial services to help our clients efficiently manage financial transactions. We have adopted latest technologies and innovations to accommodate a large number of domestic and cross-border transactions in multi-currencies (AEC+3 and other major world currencies).
- **SME customers:** Striving to maintain our market-leading position, KBank has retained our existing customers and acquired new potential ones throughout value chains via our Total Product Solutions. We are committed to becoming a main bank for all customers by providing them with both funding and financial services through K-Value Chain Solutions, in addition to a digital technology platform that better fulfills 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 service expansion to support our customers' trade and investment via our overseas branches or representative offices and our regional partner banks. We aim to become the main bank for those seeking to conduct international trade transactions and cross-border settlements with AEC+3 countries. Notable efforts include creation of products and services for customers branching out into neighboring countries, development of international funds transfer systems to accommodate international settlements in ASEAN currencies, as well as upgrades of Chinese KBank branches to locally incorporated institutions.



### Customer Segments and Services

- **Multi-Corporate Business**

In 2016, the Thai economy maintained its recovery momentum seen from the previous year. Despite external risks, especially from fragility of core economies, continual government spending through infrastructure investment projects was the main driver. This was a boon to our customers, particularly those in construction and building materials. Rising prices of certain agricultural products including sugar, rubber and chicken meat were another plus. Overall, KBank could attain our business growth targets. Our customers remained financially strong, with sound debt servicing capabilities, while also expanding their businesses at home and abroad. Focus was thus on providing them with financial advisory service via our specialists, as well as multiple financial products for their fund mobilization via capital markets.

In addition, we placed emphasis on transactional business via our digital solutions and development of platforms for cash and liquidity management, which also helps enhance working capital management efficiency for our customers at reduced costs. Meanwhile, we were able to maintain fee income per the set target.

KBank maintained solid growth in foreign transactions despite forex fluctuations, given that we highlighted the offering of flexible risk management products appropriate for market conditions, along with our value-added services, upstream to downstream, in order to support value chain solutions for our customers and their trade partners in the consumption, agro-processing, building materials and construction clusters.

- **Large Corporate Business**

KBank has prioritized customer service and accessibility. Focus has thus been on development of personnel, work process and monitoring tools for enhanced employee efficiency. All our staff members have been equipped with knowledge and understanding to fully respond to customer needs, both corporate and personal, appropriate for economic circumstances. To this end, our industry experts are always on hand to offer comprehensive assistance as well as products that are well-suited to market conditions. Furthermore, we provide value chain management solutions wherein our customers and their business partners gain enhanced connectivity, leading to more expansive business networks and efficiency. In 2016, we offered customized programs

to our customers in the agro-processing, commerce, and packaging industries. To this end, we equip them with working capital, financial transaction products and digital solutions to facilitate payment between our customers and their trade partners.

Another notable initiative included our activities held to strengthen business networking for our customers, including regular seminars, namely “2020 Vision: The Future of Entrepreneurial Leader”, organized for new-generation executives to endow them with insights beneficial to their businesses.

- **Medium Business**

KBank implemented a policy to provide our customers with financial assistance to bolster their competitiveness and business opportunity. Notably, “Loan Exceeding Collateral Value for Start-up & Innovation” with the limit of Baht 30 billion, initiated by the Thai Credit Guarantee Corporation, was offered to start-up companies for their new investment, business improvement and expansion or as working capital. Moreover, KBank and Thailand’s leading telecom companies joined hands to launch “Loan Program for Telecom Dealers” to support relevant SME customers, with a total of Baht 500 million in working capital.

Additionally, we continued to improve customer competitiveness through business networking and the use of digital technologies to facilitate their businesses and reduce operating costs, along with upgrades in credit underwriting and service delivery for enhanced efficiency in customer responsiveness.

- **Small and Micro Business**

With a focus on the “Customer Centricity” strategy, “K SME Full Support for SME” has been implemented to serve existing customers and reduce their financial constraints while also broadening the new customer base. In this quarter, our loan programs were continued, such as financing for dealers, low-interest working capital offered to sub-dealers of large operators in various industries, and K-SME Business Collateral Credit, which allows borrowers to request additional loan amount, both long-term and working capital, designed for our clients, in response to the Business Security Act, B.E. 2558 (2015). Another notable loan program was loans for customers offering Electronic Data Capture (EDC) machines and mobile point-of-sale (mPOS) services, aimed at bolstering their business opportunities through easier access to funding sources.

To expand the customer base and promote greater use of Jew Jaew Micro Loan, KBank launched a marketing campaign called the “Small Business Booster Package” to comprehensively boost liquidity for our Micro Business customers. We also organized a seminar entitled “Make Micro Business Flourish” in Bangkok and the northern region, where participants gained knowledge beneficial to loan application and marketing, from successful businesspersons who had been invited to impart their valuable experience to participants.

Meanwhile, our merchant service has been developed continuously. In collaboration with world-class application providers, i.e. Alipay and WeChat, KBank launched a POS e-Wallet which can be connected either directly with participating merchants’ POS systems or via KBank’s EDC terminals. This service specially caters for Chinese tourists. Our EDC service has been developed to accommodate a contactless payment transaction of up to Baht 1,500 using a JCB Card, called J-Speedy, which employs a new high-security payment system. The service is similar to Visa PayWave and MasterCard PayPass, which allows customers to simply tap to pay. We are also preparing for new electronic payment systems to be rolled out in the future, especially K-PowerP@y (mPOS) with Single Sign-on (SSO) function, to enable merchants with their own application to accept payment with greater convenience and speed.

- **High Net Worth Individual**

Throughout 2016, KBank focused our efforts on our International Comprehensive Wealth Management Service, with the aim of enhancing our KBank Private Banking products and services. To this end, we offered advisory services for investment in and outside capital markets, together with a raft of privileges and assistance for our customers and their family members. Meanwhile, our collaboration with Lombard Odier– KBank’s business partner in Switzerland since 2014 – continued for the highest benefit of our clients. Notable initiatives in 2016 included:

1. Building upon the achievement of K Strategic Global Multi-Asset Fund (K-SGM): The first risk-based asset allocation fund in Thailand with systemic management in accordance with the global portfolio guidelines of Lombard Odier, K-SGM has been well-embraced by our clients. It is a highly-recommended fund, as it can be used as an efficient risk prevention tool for investors.
2. Laying the groundwork for new product and service development: Applying the knowledge of Lombard Odier, we introduced KBank Private Banking Family Wealth Planning Service for our customers. Meanwhile, training courses and seminars were organized for our KBank Private Banking officers in order to elevate our customer services to world-class standards.
3. Organizing activities to enhance opportunities for our customers to access knowledge on investment both in and outside capital markets: Prioritizing our International Comprehensive Wealth Management Service covering all classes of assets, we introduced various knowledge-based events, namely seminars on real estate management in relation to the new land and building tax law, UK Studies, and UK Property Investment forums wherein investors were provided with recommendations on real estate investment in the UK. To accentuate KBank’s leadership in comprehensive world-class private banking services, we organized financial seminars across Bangkok and provincial locales throughout the year to provide our customers with knowledge on domestic and international investment while also ensuring that they can manage their portfolios in line with the prevailing market conditions.

- **Affluent**

KBank continued to pursue our strategies of retaining and upgrading our existing customers along with expanding the new customer base, especially expatriates and professionals. Highlighting our THE WISDOM brand as a brand of exclusive and distinguished services, we aim to remain at the forefront of the market. Through customer behavior analyses, we offer products and services that are aligned with their needs, while our RM teams are always on hand to provide advice on sophisticated investment products that yield greater returns. Our customers are also equipped with investment tools for effective wealth management. To this end, we have launched more than 100 mutual funds with multiple policies and different risk levels, including the K ASEAN Economic Community Equity Fund (K-AEC), K SET50 LTF (KS50LTF), and K Foreign Securities Plus 1 Year A Fund, along with different marketing promotional programs specifically designed for our retail customers in each quarter to match the prevailing circumstances. Customers were also provided with greater convenience in their mutual fund purchase and sale via K-MOBILE BANKING PLUS.

KBank prioritizes the launch of products offering attractive returns and matching our customers’ risk profiles. Of note was the introduction of special fixed deposit products on a regular basis, while “Pro Saving 410Extra” was also introduced as an alternative savings vehicle. Moreover, we organized a PR campaign on the reduction of deposit coverage limit which came into effect in August 2016. To differentiate ourselves from peers, KBank has initiated financial services to accommodate customer

lifestyles and continually organized exclusive activities with the aim of promoting THE WISDOM brand and attracting customers to use KBank as their main bank.

- **Middle Income**

Using strategies to create top-of-mind awareness, KBank is working to become the long-term bank of choice. We aim to strengthen our THE PREMIER as an exclusive brand for new-generation customers whose investments range between Baht 2-10 million. We have regularly conducted customer behavior analyses so as to develop products and services to meet their needs. In 2016, we designed products for health-conscious savers in need of tax benefits, namely “Taweessup Extra: Earn High Interest Rate of 3.3 Percent p.a. with Purchase of Life Insurance: Pro Saving 615 Guarantee and Pro Life 90/5”, and Easy Life & Health Insurance “Bao Jai Chabub Diew Yoo.” To reach out to those without large savings seeking to apply for life insurance products amid the economic slowdown, a marketing campaign was launched to allow them to make monthly premium payments by debiting a deposit account or K-Credit Card account. For greater convenience to our customers, international travel insurance can be purchased via K-MOBILE BANKING PLUS and KBank’s website. Furthermore, KBank organized the “K-Expert...You Can Build Baht 10 Million” activity to enhance our THE PREMIER customers’ financial and investment planning and management skills.

In response to the National e-Payment Master Plan, our work system was developed to accommodate the PromptPay service. Pre-registration for the service was launched July 1, 2016. We also joined hands with our business partners to enable mobile payment with K-Credit Card via Samsung Pay platform; a campaign to promote the service trial was launched at the end of the year.

For loan products, KBank has adopted a prudent credit policy. We prioritize customer screening and always advise customers to apply financial self-discipline in order to maintain overall portfolio quality and in alignment with the government measures. Given the slower growth of loans in line with economic sluggishness, we focused our efforts on co-promotions held with our real estate business partners and year-round marketing activities via digital channels to promote K-Home Loan and lessen customers’ burdens, especially at the end of the final quarter. Of note were K-Home Loan offering low interest rates during the first three years of loan term, K-Home Equity with a special MRR rate for the first year and numerous promotional campaigns for K-Home Loan Online.

Moreover, we introduced the King Power-KBank Credit Card and redesigned the BDMS-KBank Credit Card. Along with this, a myriad of promotional campaigns were conducted year-round to promote daily spending via credit card, both in Thai Baht and in foreign currencies, among our customers of every lifestyle. Our marketing efforts were in line with the government’s policies to promote tourism and spending, especially through the year-end tax incentives. To help our customers harness financial self-discipline, meanwhile, we offered a zero-percent special interest rate for K-Express Cash Card payment at the established limit, along with K-Personal Loan with low interest rates for a five-year installment period, to KBank Payroll customers and employees of regular customers.

- **Mass**

Guided by a strategy to be the preferred bank of our customers, especially those with potential to become Middle Income clients, we remain committed to expanding the new customer base. To achieve this, KBank prioritized the launch of debit cards that meet lifestyle needs with enhanced security. Our notable endeavors included the introduction of ‘Chang Suck’ KASIKORNTHAI Debit Card, which is a K-Football Thai Debit Card, and three models of chip-embedded debit cards. Numerous marketing activities highlighting KBank’s image were staged at Thailand’s leading companies and universities as part of our CRM efforts to promote brand awareness and attract their personnel to use KBank as their main bank.

Moreover, KBank developed electronic service channels to accommodate new lifestyles, also with enhanced security, as evidenced by the introduction of new K-MOBILE BANKING PLUS functions throughout the year. Joining hands with Muang Thai Insurance Pcl, KBank added a channel for offering Accident Protect Plus via our website. In collaboration with LINE Thailand, KBank introduced LINE Pay, featuring electronic payment using a linked savings account. In addition, we launched new LINE stickers under the “KBank is All Around” theme, while also holding numerous activities via the KBank Live LINE Official Account. Moreover, our customers were equipped with knowledge on financial service security.

### Service Channels

In 2016, KBank maintained our commitment to developing efficiency in all our core service channels, in order to raise our capacity to reach our customers and deliver them excellent service.

**Branch Network:** Key initiatives for branch network management included:

- **Domestic branch network:** Upgrading the potential of digital platforms and enhancing quality in our sales and service at branches was a major focus. To this end, we prioritized service channel expansion along with merger of branches at viable locations so as to better meet customer needs in alignment with their changing lifestyles. So doing will help KBank attain its goal of being customers’ main bank and maintain our competitiveness as well as the highest customer satisfaction on a par with international standards.

Meanwhile, we considered the appropriate consolidation of forex booths. New forex booths were opened at Phuket International Airport, Chiang Mai International Airport and Don Mueang International Airport, while some locations were closed as part of the consolidation efforts.

- **International branch network:** We remain committed to a policy of network connectivity for our AEC+3 customers per our current business direction, focusing on growth in the Asian region. KBank has expanded branches and representative offices within AEC so as to respond to customers seeking to venture into other Asian countries, in alignment with the national agenda to embrace the AEC. In November 2016, KBank upgraded a representative office in Phnom Penh, Kingdom of Cambodia to be a full-service branch to provide financial services to Thai corporate customers operating businesses in the the People's Kingdom of Cambodia. Meanwhile, we have continually conducted business restructuring in the People’s Republic of China, and expect to receive a license to operate a locally incorporated institution there in 2017.

**Branches and Financial Service Offices/Centers**

| Domestic Service Network           | Number of Locations |       | Overseas Service Network                      | Number of Locations    |               |
|------------------------------------|---------------------|-------|-----------------------------------------------|------------------------|---------------|
|                                    | 2016                | 2015  |                                               | 2016                   | 2015          |
| Branch Network                     | 1,107               | 1,120 | <b>Branches and Overseas Service Network</b>  | <b>16</b>              | <b>16</b>     |
| Foreign Exchange Booth             | 146                 | 159   | Locally Incorporated Institution              | 1                      | 1             |
| THE WISDOM*                        | 105                 | 105   | Branch and Sub-Branch                         | 6                      | 6             |
| Corporate Business Center          | 8                   | 8     | Representative Office                         | 9                      | 9             |
| SME Business Center**              | 121                 | 120   | <b>Electronic Banking Services</b>            | <b>Number of Units</b> |               |
| International Trade Service Center | 58                  | 62    |                                               | <b>2016</b>            | <b>2015</b>   |
| Cheque Direct Service              | 31                  | 33    | <b>Self-Service Channel (K-ATM and K-CDM)</b> | <b>11,683</b>          | <b>12,055</b> |
|                                    |                     |       | K-ATM (Automated Teller Machine)              | 8,973                  | 9,349         |
|                                    |                     |       | K-CDM (Cash Deposit Machine)                  | 2,710                  | 2,706         |
|                                    |                     |       | K-PUM (Passbook Update Machine)               | 1,249                  | 1,273         |

Note: \* Excluding 10 branches, classified as other branch platforms per the BOT’s conditions

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

**Electronic Network comprises:**

- K-ATMs and K-CDMs: Service efficiency enhancement has been prioritized to accommodate the use of chip-embedded cards at every bank per the Bank of Thailand policy, as well as round-the-clock financial transactions. Notable efforts included machine relocation to more suitable and accessible sites, and removal of obsolete machines. In addition, we launched co-promotions with our business partners to offer products and services together with privileges via PR media on machines' screens. Customers are also encouraged to conduct financial transactions via self-service machines. Meanwhile, foreign customers now have more convenience in using our K-ATM which can presently support various languages.

- **Digital Banking Services:** To accommodate the rising volume of financial transactions via electronic channels, KBank, at the forefront in the digital banking service, remained committed to service efficiency enhancement. Along with this, we conducted PR campaigns to persuade customers to register for the PromptPay service, especially via K-MOBILE BANKING PLUS, with detailed registration methods available. Major initiatives of our digital banking included:

- 1) **K-CYBER:** The "REWARD PLUS" program was continually implemented for those applying for and conducting transactions via K-CYBER and K-MOBILE BANKING PLUS. We also launched promotional campaigns to highlight our digital banking leadership, as gauged by the most funds transfer transactions, guaranteed by the highest security with ISO 27001:2013 certification.
- 2) **K-MOBILE BANKING PLUS:** New K-MOBILE BANKING PLUS functions for debit, credit and cash cards were made available to allow customers to conduct financial transactions on their own, such as changes in funds transfer/withdrawal limit, debit card suspension, card activation, inquiry of credit and cash card spending amount/accumulated points, request for temporary credit line increase on credit card, and purchase of international travel insurance. A newly-launched online "chat" service is available 24 hours a day for customer inquiries, while our promotions and financial tips can be viewed via KBank Live: LINE Official Account.
- 3) **K-Payment Gateway:** Focusing on increased service efficiency, the "session timeout" feature was developed for online stores selling event and airline tickets to ensure timeliness in ticket sales, thus preventing payment after booking has been cancelled. Pay Plus, a new payment channel, was also added, which allows customers to make payment by account debit via K-MOBILE BANKING PLUS, in addition to K-Credit Card and K-Debit Card.

**K-Contact Center:** Service development was targeted for enhanced customer convenience. We also seek to offer various tools that will accommodate customers' digital lifestyles in the future. These include numerous service channels and a 24-hour social media complaint management program to allow for timely resolution of any issue. Moreover, KBank implemented the "Customer Feedback Management" program to obtain customer satisfaction scores and comments via free SMS, which will be used as input for development and upgrades to our service quality. We also set up a K-Contact Center in Khon Kaen for service continuity in case of crisis situations.

## 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 2016, notably:

| Awards to KBank and K Companies                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
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| <p><b>Awards to KBank</b></p> <ul style="list-style-type: none"> <li>• <b>Best Bank in Thailand 2016</b> from the Country Awards for Achievement 2016, by FinanceAsia magazine.</li> <li>• <b>Best Bank in Thailand</b> from the Corporate Treasurer, by Haymarket Financial Media Group.</li> <li>• <b>Platinum Award 2016 – Financial Performance, Corporate Governance, Social Responsibility, Environmental Responsibility and Investor Relations</b> from The Asset Corporate Awards 2016, by The Asset magazine.</li> <li>• <b>The Asian Banker Leadership Achievement in Thailand Award</b> presented to Mr. Banthoon Lamsam, KBank Chairman of the Board and Chief Executive Officer.</li> <li>• <b>Best Overall for Corporate Governance in Thailand</b> from the 2016 Corporate Governance Poll, by Asiamoney magazine.</li> <li>• <b>KBank was selected as a member of the globally recognized Dow Jones Sustainability Indices (DJSI)</b>, including the DJSI World Index and DJSI Emerging Markets Index, by DJSI and RobecoSAM.</li> <li>• <b>KBank was named one of the constituents of the FTSE4Good Emerging Index</b> for our environmental, social and governance (ESG) performance.</li> <li>• <b>KBank was named one of the top 100 publicly listed companies (ESG 100)</b> that are most outstanding in ESG performance, by Thaipat Institute.</li> <li>• <b>Outstanding Sustainability Report Award</b> by the Office of the Securities and Exchange Commission, Thaipat Institute and Thai Listed Companies Association</li> <li>• <b>Triple A Best Cash Management Bank in Thailand 2016</b>, by The Asset magazine.</li> <li>• <b>Best Deal of Thailand (for BCPG IPO Deal)</b>, by The Asset magazine.</li> <li>• <b>Best Deal of South East Asia (for BPP IPO Deal)</b>, by IFR magazine.</li> <li>• <b>Best Cash Management Bank in Thailand</b>, by Alpha Southeast Asia magazine.</li> <li>• <b>Best Trade Finance Provider 2017 in Thailand</b>, by Global Finance magazine.</li> <li>• <b>GTR Asia Leaders in Trade 2016</b> from the Best Global Trade Finance Bank in Thailand, by Global Trade Review magazine.</li> <li>• <b>Excellent ESCO Financial Supporting Awards 2016 for programs supporting energy efficiency businesses and market under ESCO mechanism</b>, given for the second consecutive year (2015-2016) by the Department of Alternative Energy Development and Efficiency, Ministry of Energy, and the Institute of Industrial Energy, Federation of Thai Industries.</li> <li>• <b>Best Private Banking Services Overall in Thailand</b>, by the Euromoney magazine.</li> <li>• <b>Best Retail Bank in Thailand</b>, given for the seventh consecutive year from The Asian Banker Excellence in Retail Financial Services International Awards 2016, and two awards from The Asian Banker Thailand Country Awards 2016: <b>Best Mobile Banking Product in Thailand and Best Credit Card Product in Thailand</b>, organized by The Asian Banker journal.</li> <li>• Two awards from the Asian Banking &amp; Finance Retail Banking Awards 2016, organized by Asian Banking and Finance journal: <b>Domestic Retail Bank of the Year in Thailand</b>, given for the third consecutive year, and <b>Digital Banking Initiative of the Year in Thailand</b>.</li> <li>• Three awards from the Cards &amp; Electronic Payments International Asia Awards 2016 (CEPI), organized by Cards International &amp; Electronic Payments International journal: <b>Best Loyalty Program, Best Marketing Campaign – Overall, and Highly Commended Award: Best Card Offering - Southeast Asia</b>.</li> <li>• Two awards for the “KELLY MONTHLY RESCUE” commercial, by the Advertising Association of Thailand: <b>Silver Prize for the Best Use of Mobile Platform: Mobile Marketing category</b>, and <b>Highly Commended Prize for the Branded Utility/Tool category</b>.</li> <li>• Three awards from SET Awards 2016 organized by Stock Exchange of Thailand and Money &amp; Banking magazine: <b>Best Investor Relations Award</b> for the second year, <b>Outstanding Investor Relations Awards</b> for the third consecutive year and <b>Best Innovative Company Award</b></li> </ul> <p><b>Awards to KAsset</b></p> <ul style="list-style-type: none"> <li>• <b>Top Investment House Asian Currency Bonds 2016, Thailand</b>, given for the third consecutive year, and <b>three awards in the Most Astute Investors 2016, Thailand, category</b> from The Asset Benchmark Research Awards 2016, organized by The Asset magazine.</li> <li>• <b>Best Asset Management Company Awards</b> from SET Awards 2016 organized by Stock Exchange of Thailand and Money &amp; Banking magazine</li> </ul> |

\* In the Annual Report, this item is shown under the topic “Awards and Commendations KASIKORNBANK and K Companies Received in 2016”

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### 3. Risk Factors<sup>3</sup>

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#### Overall Risk Management

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 to support business growth, thus ensuring sustainable profitability and maximization of returns to shareholders and investors.

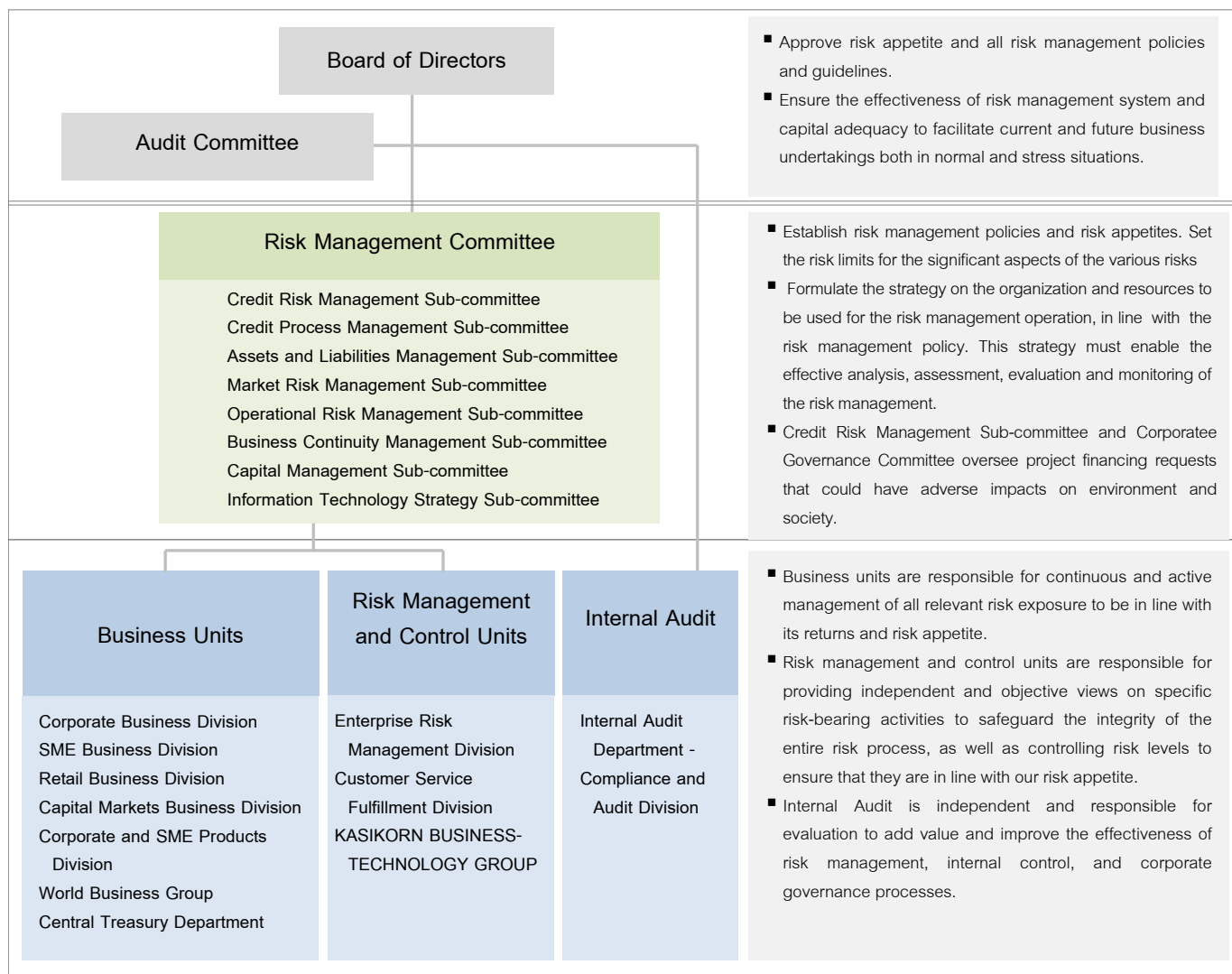
KBank's risk management strategy has been established in line with international guidelines and principles, and applied throughout the Conglomerate. We engage in a consolidated risk management framework that emphasizes management of major risks, e.g., credit, market, liquidity, operational, strategic and other risks. 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'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 whereas segregation of duties and reporting lines are clearly defined in conformity with the good internal control principle. We also emphasize thorough, accurate and regular disclosures on risk management and capital to the public.

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<sup>3</sup> In addition, details of various risk management and other related information, in accordance with the Bank of Thailand's Pillar 3 requirements and disclosure principles, are shown in the Basel III Pillar 3 Disclosure section on KBank's website.

## Risk Management Structure



## Key Developments to Strengthen Risk Management

KBank places a great emphasis on effective and timely risk management. Risk management policies, tools and processes have been developed and reviewed regularly to guard against rising risk trends in line with market volatility, as well as appropriate for changes in regulatory requirements, business undertakings including domestic and global economic policies. Relevant actions taken were as follows.

- **Value-Based Management (VBM) and capital allocation** was applied 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. A mechanism has been set up to monitor the use of KBank's capital for the highest efficiency, especially via the Active Credit Portfolio Management (ACPM) program.

In addition, development of short-term and long-term capital allocation strategy and integrated risk appetite was undertaken, considering new regulation landscape as one of strategic alternatives, to ensure appropriate risk-taking level vis-à-vis economic situations, risk trends, regulatory focus, and capital and liquidity adequacy under normal and stress scenarios.

- **Enhancement of processes and econometric models for stress testing** to improve efficiency in our risk and reserve management as well as to comply with the Bank of Thailand's regulations and directions.

- **Preparedness for regulatory changes as per Basel standards was undertaken.** Close monitoring of subsequent impacts was conducted by KBank and the Bank of Thailand.
- **Early warning signs** were developed with the use of transactional data for enhanced efficiency in risk monitoring and portfolio management.
- **Business Continuity Planning (BCP)** was conducted to cope with various specific crisis situations. In 2016, KBank formulated foreign currency liquidity BCP in case of emergencies arising from foreign currency liquidity shortage.
- **Risk indicators and other tools were developed to analyze and control operational risk, including trading room fraud** to ensure greater effectiveness, and alignment with international practices. In 2016, KBank reviewed and improved processes for prevention of insider trading and rate manipulation for trader's own benefits. Multiple Trade Surveillance Tools were used to ensure prudent risk monitoring and control for the highest efficiency in preventing 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 market risk, credit concentration 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 not to 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 2016, KBank placed an emphasis on creating a balance between our services and credit risk management within each customer segment. Amid the fragile economic recovery and uncertainties at home and abroad, we put in place more stringent customer screening criteria. In particular, stricter requirements have been set for small and micro businesses 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 developed customer early warning signs and behavior monitoring to ensure efficient customer monitoring and recovery and collection process.

#### **Credit Risk Management Process**

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

### **Portfolio Management**

KBank emphasized active portfolio management based on risk factors and risk events, particularly economic factors that could affect our customers and our portfolio quality. Via ACPM and stress testing, we ensured timely portfolio management towards any deviation against our planned targets. Meanwhile, KBank has focused on portfolio management so as to control credit concentration within the established limits. Close monitoring of customer risk profile across industries has been undertaken through the establishment of loan growth target 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. 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 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. Industry pre-screening criteria, which can be used as a guideline for customer selection, have been established to classify customers based on their risk level.
- **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 behavioural scores have been monitored** via early warning signs. Guidance has been provided for Relationship Managers (RMs) to contact customers at the early stage when unfavourable signs are detected.
- **Credit concentration**, both borrower concentration and sectoral concentration, have been effectively managed so that exposures are within limits. KBank adheres to the Bank of Thailand's Single Lending Limit (SLL) framework and Basel Pillar 2 credit concentration guideline. As of December 31, 2016, large borrower concentration was within the established limit. Industry concentration has been closely monitored taking into account 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 Bank of Thailand's consolidated supervision guidelines. Apart from credit underwriting principles, guidelines for preferable and discouraged practices are defined to ensure quality of credit extension.

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 comprising 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 information 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 after customers credits have been approved, including legal and contract-related matters, preparation of collateral agreements, credit-line setup, credit withdrawals, credit-related document storage and credit data support. We monitor customer credit-utilization behavior, their business performance, compliance with contractual conditions as well as 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 asset quality, as well as credit-utilization behavior as early warning signals to prevent deterioration in credit quality. Credit bureau data is used to support credit limit renewals and credit quality management, 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 delinquency. KBank also set up guidelines, such as on credit review, limit suspensions, specific to each customer segment, according to segment risk characteristics.

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 recovery and collection strategy to better respond to varying risk levels of different customer groups. Customers are managed in such a way as to prevent them from becoming NPLs, with a focus on swift and efficient management of recovery and collection.

**Asset Quality Review**

KBank has conducted a review of credit policy and process including credit proposal presentation, credit underwriting, contract preparation and credit quality monitoring to assure credit policy and procedure consistency and efficiency. We also utilize credit information to support our management towards better credit management and standards.

**Market Risk Management**

Market risk may arise from changes in interest rate, foreign exchange, equity 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 2016, global financial markets were volatile amid a number of key events. These included the UK's referendum for leaving the European Union, terrorist attacks in many countries and the US presidential election result. While US policy rate was on the rise, many central banks in Asia and the European Central Bank (ECB) still pursued monetary easing to reinvigorate their economies, exemplifying the monetary policy divergence among leading central banks. Consequently these factors caused the Baht's value and Thai interest rates to be on a volatile course throughout the year. Meanwhile, factors that will drive the global economy and financial markets going forward include general elections to be held in major European countries, as risk may stem from the growing popularity of the EU skeptics, plus the uncertainty from new US President's economic and foreign policies

### 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. Moreover, KBank has chosen not to retain any position when dealing with commodity prices by managing market risk through a back-to-back policy. Our equity risk stems from equity underwriting and non-directional trading business, which we undertake only for serving customer needs. KBank has processes in place to measure and control risks within the established limits, under the supervision and control of the Enterprise Risk Management Division.

### 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 changes in interest rates of assets and liabilities, as well as off-Statement of Financial Position transactions that are susceptible to interest rates. These may, therefore, have an adverse impact on net interest income or capital and economic value of KBank.

KBank manages our financial position to increase net interest income and underlying economic value, based on our liquidity position. Therefore, KBank has established an interest rate risk management framework to ensure that our financial position is within the pre-specified risk appetite and the impact of interest rate changes on net interest income or underlying economic value of KBank is under control.

KBank continually monitors interest rate risk in banking book activities by assessing 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, 2016 |
|                                             | +100 bps      |
| THB                                         | (535)         |
| Foreign Currencies                          | 454           |
| <b>Total Effect of Interest Rate Change</b> | <b>(81)</b>   |

#### — Equity Risk in Banking Book Activities

KBank has no policy to increase equity investments that are not directly related to our core financial business operations. Data analyses and close assessments of relevant events have been employed in managing existing equity to ensure maximum benefit of KBank.

### Liquidity Risk Management

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

KBank closely monitors liquidity risk status and situations that could have an impact on our liquidity status. We have also adopted a Business Continuity Plan (BCP) to guard against disruptions to important operations and systems, allowing us to fulfill our obligations in emergencies and ensuring that there is sufficient liquidity for business operations.

KBank conducts liquidity gap analyses covering both normal and crisis situations, as well as events that may significantly affect our liquidity, by employing liquidity stress tests covering 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 standards for liquidity risk indicators, such as the Liquidity Coverage Ratio (LCR), in our liquidity risk control and 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 overall liquidity management, including foreign currencies. Liquidity risk management processes have also been reviewed and enhanced together with our funding structure in response to changing market conditions and liquidity in the banking system, so that we are able to cope with the ever-changing global economy and/or volatility in financial markets.

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

Factors that potentially affect our liquidity and interest rate risks, which are closely monitored include:

- Global and Thai economic outlook over the short and medium terms.
- The Bank of Thailand and major central banks' timeframe for their key policy rate decision.
- Direct and indirect foreign capital movements triggered by business confidence towards consumption and investment.
- Intensified competition among financial institutions in savings and investment products that may affect overall liquidity in the banking system.
- Increasing demand for loans due to Thai economic recovery, which could generate pressure to liquidity in the system.
- Consequences of the Basel III Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) reserve requirements on liquidity status.

### **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 placed importance on 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. Operational risk management is under the supervision of the Operational Risk and Fraud Management Department.

In 2016, KBank focused on operations to create results per the target of sound risk management of key business processes and in conformity with policies and operational regulations implemented in 2015. This is to ensure confidence towards our operational risk management efficiency. Key developments included:

- **Undertook operations in alignment with the Conduct Risk Management Policy** to ensure our risk management covered all processes, from beginning to end. This action was part of our endeavor to create risk culture.
- **Expanded operational scope of the customer compensation working group** to standardize criteria and operating authority of all divisions in compensating customers in a timely manner, taking into account fair treatment of our customers, which will help maintain our reputation.

- **Developed the Fraud Management & Intelligent System** to enhance our potential in probing transaction fraud committed by our customers. This was done by developing additional systems in the transaction fraud module and enhancing our fraud inspection capacity via the internal fraud module introduced in 2015.
- **Improved key operational systems to ensure stringent internal controls at branches.** Policies and standards for the development of new authentication technologies were introduced to prevent risks stemming from fraud and errors.
- **Conducted internal communications to promote a risk culture continuously** via various media under the “Honest KBank People” campaign in order to build a culture of integrity, as part of our K-Culture program.

Amid a rapidly evolving business environment and technological changes, KBank emphasizes IT risk management through the implementation of data, IT system and cyber security measures in order to maintain confidentiality, accuracy and availability of our information systems. Preventative measures have also been put in place to cope with malicious attacks targeting IT systems and/or information infrastructure via the Internet, together with prevention of computer virus spread, control of physical access, and actions against password fraud and sharing. So doing supports our proactive digital banking strategies with timely response to the fast-changing technology and environment.

### **Strategic Risk Management**

Strategic risk management has been highlighted and integrated into organization strategy formulation and implementation process by KBank. The process begins with systematic data collection and analysis for use in review and determination of appropriate bank-wide strategies, which are then translated into those for business and support units, and key performance measurement. It also involves efficient resource allocation, organization-wide communication of strategic plans, establishment of clear operational plans and monitoring processes, as well as identification of problems and resolutions.

Strategic risk management refers to management of risks that arise from formulation and implementation of strategic and business plans that are inappropriate and inconsistent with internal factors and external environment, which may affect earnings, capital fund or viability of the business. For 2016, material factors affecting strategic risk include economic growth, both local and global, levels of public and private loans, drought, policies of the government and regulators, especially National e-Payment Master Plan and changes in standards of performance, e.g., accounting standards and regulatory capital requirements, new technologies and changing consumer behavior, together with demographic shift towards an aging society. KBank’s strategic risk management can be divided into two parts, as follows:

**Part 1 – Strategic risk management for strategic content** is conducted by monitoring changes in key assumptions used for strategy formulation. By setting up Key Risk Indicators (KRIs) for Strategic Content, KBank is able to regularly monitor and review bank-wide strategies as well as business units’ strategic plans in a timely and orderly manner.

**Part 2 – Strategic risk management for strategy execution** is conducted by:

- *Preparing monthly financial performance reports and biannual Balanced Scorecard (BSC) reports; we also arrange meetings in line with our strategies 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.*

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**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 shareholding, 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                                 | 2016          | 2015          | 2014          |
|--------------------------------------|---------------|---------------|---------------|
| Land                                 | 18,227        | 14,762        | 14,634        |
| Building                             | 30,516        | 26,217        | 25,715        |
| Equipment                            | 38,489        | 37,172        | 35,218        |
| Others                               | 149           | 1,951         | 1,047         |
| <b>Total</b>                         | <b>87,381</b> | <b>80,102</b> | <b>76,614</b> |
| <u>Less</u> Accumulated depreciation | 37,315        | 34,812        | 31,999        |
| Impairment allowance                 | 338           | 6             | 6             |
| <b>Premises and equipment - net</b>  | <b>49,728</b> | <b>45,284</b> | <b>44,609</b> |

##### 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 2016, 2015 and 2014, which are summarized as follows:

(Unit: Million Baht)

| Types of Lease Agreement       | Remaining Period                   | 2016         |
|--------------------------------|------------------------------------|--------------|
| Land/building lease agreements | 1 January 2017 – 31 December 2042  | 2,112        |
| Vehicle lease agreements       | 1 January 2017 – 15 December 2021  | 1,139        |
| Others                         | 1 January 2017 – 24 October 2020   | 50           |
| <b>Total</b>                   |                                    | <b>3,301</b> |
| 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           |
| <b>Total</b>                   |                                    | <b>3,724</b> |
| 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           |
| <b>Total</b>                   |                                    | <b>3,272</b> |

##### 2. Service Agreement

The Bank and its subsidiaries entered into an Information Technology Service, under which the service agreement will be provided until 31 August 2019. As of 31 December 2016, 2015 and 2014, the Bank and its subsidiaries were committed to pay total service fees of Baht 1,554 million, Baht 1,437 million and Baht 3,640 million, respectively.

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**KASIKORNBANK's Investments in Subsidiaries and Associated Companies****Subsidiaries and Associated Companies**

The definitions of subsidiaries 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 2016, KBank set up Beacon Venture Capital Co., Ltd. with paid-up registered capital of Baht 250 million to engage in venture capital business. The company focuses on investment in FinTech firms with potential of boosting our efforts in the areas of financial innovation and rapid technological development. At the same time, KBank supports FinTech business in various ways to facilitate their expansion and future growth.

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**5. Legal Disputes**

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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, there are 202 pending cases in the ordinary course of the Bank's business, with the total litigation sum of approximately Baht 2,061 million. In those cases, there are 37 cases for 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 841 million. The Bank views that, given the present status of the Bank, such total litigation sum of all the aforementioned lawsuits would have no material impact on the Bank's business operations.

## 6. General Information and Other Important Information

|                                           |                                                                                                                                                                                                                   |
|-------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Issuing company</b>                    | : KASIKORNBANK PUBLIC COMPANY LIMITED AKA “KBank”                                                                                                                                                                 |
| <b>Type of Business</b>                   | : 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. |
| <b>Head Office</b>                        | : 1 Soi Rat Burana 27/1, Rat Burana Road, Rat Burana Sub-District,<br>Rat Burana District, Bangkok 10140, Thailand                                                                                                |
| <b>Company Registration Number:</b>       | 0107536000315 (formerly PLC 105)                                                                                                                                                                                  |
| <b>Telephone</b>                          | : +662-2220000                                                                                                                                                                                                    |
| <b>Fax</b>                                | : +662-4701144-5                                                                                                                                                                                                  |
| <b>K-Contact Center</b><br>(Personal)     | : +662-8888888 Press 1 Thai, Press 2 English, Press 877 Japanese Press 878 Mandarin,<br>Press 879 Burmese                                                                                                         |
| <b>K-BIZ Contact Center</b><br>(Business) | : +662-8888822 Press 1 Thai, Press 2 English, Press 3 Mandarin, Press 4 Japanese                                                                                                                                  |
| <b>SWIFT</b>                              | : KASITHBK                                                                                                                                                                                                        |
| <b>E-mail</b>                             | : info@kasikornbank.com                                                                                                                                                                                           |
| <b>Website</b>                            | : www.kasikornbank.com                                                                                                                                                                                            |

### Names, Offices, Telephone and Fax Numbers of Referenced Entities

#### Registrar

- |                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                             |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>- Ordinary Shares</li> </ul>                                                                                               | <ul style="list-style-type: none"> <li>: The Thailand Securities Depository Company Limited<br/>93 Ratchadaphisek Road, Dindaeng Sub-District,<br/>Dindaeng District, Bangkok 10400, Thailand<br/>Tel. +662-0099000 Fax +662-0099476<br/>SET Contact center : 02-0099999<br/>E-mail : SETContactCenter@set.or.th<br/>Website : www.set.or.th/tsd</li> </ul> |
| <ul style="list-style-type: none"> <li>- Subordinated Debentures of KASIKORNBANK PCL<br/>No. 1/2555, due B.E. 2565</li> </ul>                                     | <ul style="list-style-type: none"> <li>: Registrar and Account Administration Unit<br/>Securities Services Department</li> </ul>                                                                                                                                                                                                                            |
| <ul style="list-style-type: none"> <li>- Subordinated Instruments intended to qualify as Tier 2<br/>Capital of KASIKORNBANK PCL No.1/2557 due B.E.2568</li> </ul> | <ul style="list-style-type: none"> <li>KASIKORNBANK PCL<br/>33/4 ,The Nine Tower Grand Rama Nine (Tower A) 18<sup>th</sup></li> </ul>                                                                                                                                                                                                                       |
| <ul style="list-style-type: none"> <li>- Subordinated Instruments intended to qualify as Tier 2<br/>Capital of KASIKORNBANK PCL No.1/2558 due B.E.2569</li> </ul> | <ul style="list-style-type: none"> <li>Floor, Rama Nine Road, Huai Khwang Sub-District,<br/>Huai Khwang District, Bangkok 10310, Thailand</li> </ul>                                                                                                                                                                                                        |
| <ul style="list-style-type: none"> <li>- Subordinated Instruments intended to qualify as Tier 2<br/>Capital of KASIKORNBANK PCL No.1/2558 due B.E.2569</li> </ul> | <ul style="list-style-type: none"> <li>Tel. +662-4701987 and +662-4701994<br/>Fax +662-2732279</li> </ul>                                                                                                                                                                                                                                                   |
| <ul style="list-style-type: none"> <li>- Subordinated Instruments intended to qualify as Tier 2<br/>Capital of KASIKORNBANK PCL No.1/2559 due B.E.2570</li> </ul> |                                                                                                                                                                                                                                                                                                                                                             |

- Senior Unsecured Debentures due 2018
  - Senior Unsecured Debentures due 2019
  - Senior Unsecured Debentures due 2021
  - Senior Unsecured Debentures due 2022
- : The Bank of New York Mellon (Luxembourg) S.A  
Vertigo Building - Polaris, 2-42-4 rue Eugène Ruppert,  
L-2453, Luxembourg

**Auditors**

- : Ms. Somboon Supasiripinyo, CPA No. 3731  
Mr. Nirand Lilamethwat, CPA No. 2316  
Ms. Wilai Buranakittisophon, CPA No. 3920  
Mr. Charoen Phosamritlert, CPA No. 4068  
KPMG Phoomchai Audit Limited  
Empire Tower, 50<sup>th</sup> – 51<sup>st</sup> Floor, 1 South Sathorn Road,  
Yannawa, Sub-District, Sathorn District,  
Bangkok 10120, Thailand  
Tel. +662-6772000 Fax +662-6772222

**Legal Adviser**

- : Dr. Abhijai Chandrasen  
22 Soi Soonthornsaratoon (On Nut 21/1),  
Sukhumvit 77, Suan Luang Sub-District,  
Suan Luang District, Bangkok 10250, Thailand  
Tel. +662-7306969-76 Fax +662-7306967-8

**Changes in KASIKORNBANK shares held by Directors and Executives in 2016**

| Name                                      | Position                                          | KBank shares held as of 31 December 2015 | KBank shares held as of 31 December 2016 | Increase/ (Decrease) in KBank shares held in 2016 | 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                                | 20,000                                   | (1,510,000)                                       | 0.000                         |
| 2. Professor Khunying Suchada Kiranandana | Vice Chairman                                     | 1,000                                    | 1,000                                    | 0                                                 | 0.000                         |
| Spouse and minor children                 |                                                   | -                                        | -                                        | -                                                 | -                             |
| 3. Ms. Sujitpan Lamsam                    | Vice Chairman                                     | 3,000,000                                | 3,000,000                                | 0                                                 | 0.125                         |
| 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. Kattiya Indaravijaya               | President                                         | -                                        | -                                        | -                                                 | -                             |
| Spouse and minor children                 |                                                   | -                                        | -                                        | -                                                 | -                             |
| 7. Professor Dr. Yongyuth Yuthavong       | Independent Director                              | -                                        | -                                        | -                                                 | -                             |
| Spouse and minor children                 |                                                   | -                                        | -                                        | -                                                 | -                             |
| 8. Dr. Abhijai Chandrasen                 | Director and Legal Adviser                        | 10,000                                   | 10,000                                   | 0                                                 | 0.000                         |
| Spouse and minor children                 |                                                   | -                                        | -                                        | -                                                 | -                             |
| 9. Professor 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                                    | 260                                      | (4,000)                                           | 0.000                         |
| 14. Ms. Puntip Surathin                   | Independent Director                              | -                                        | -                                        | -                                                 | -                             |
| Spouse and minor children                 |                                                   | -                                        | -                                        | -                                                 | -                             |
| 15. Mr. Wiboon Khusakul                   | Independent Director                              | -                                        | -                                        | -                                                 | -                             |
| Spouse and minor children                 |                                                   | -                                        | -                                        | -                                                 | -                             |
| 16. Ms. Suphatee Suthumpun                | Independent Director                              | -                                        | -                                        | -                                                 | -                             |
| Spouse and minor children                 |                                                   | -                                        | -                                        | -                                                 | -                             |
| 17. Mr. Sara Lamsam                       | Director                                          | N/A                                      | 721,240                                  | N/A                                               | 0.030                         |
| 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 2015 | KBank shares held as of 31 December 2016 | Increase/ (Decrease) in KBank shares held in 2016 | Percentage of shares held (%) |
|------------------------------------------------------------|----------------------------------------------------|------------------------------------------|------------------------------------------|---------------------------------------------------|-------------------------------|
| 19. Dr. Adit Laixuthai<br>Spouse and minor children        | Senior Executive Vice President                    | 284<br>-                                 | 284<br>-                                 | 0<br>-                                            | 0.000<br>-                    |
| 20. Mr. Wirawat Panthawangkun<br>Spouse and minor children | Senior Executive Vice President                    | 10,380<br>-                              | 10,380<br>-                              | 0<br>-                                            | 0.000<br>-                    |
| 21. Mr. Krit Jitjang<br>Spouse and minor children          | Senior Executive Vice President                    | 920<br>-                                 | 920<br>-                                 | 0<br>-                                            | 0.000<br>-                    |
| 22. Mr. Pipit Aneaknithi<br>Spouse and minor children      | Senior Executive Vice President                    | -<br>-                                   | -<br>-                                   | -<br>-                                            | -<br>-                        |
| 23. Mr. Chongrak Rattanapian<br>Spouse and minor children  | Executive Vice President                           | N/A<br>N/A                               | -<br>-                                   | N/A<br>N/A                                        | -<br>-                        |
| 24. Mr. Pongpichet Nananukool<br>Spouse and minor children | First Senior Vice President                        | N/A<br>N/A                               | -<br>-                                   | N/A<br>N/A                                        | -<br>-                        |
| 25. Ms. Wasana Surakit<br>Spouse and minor children        | Financial Accounting<br>Management Department Head | -<br>-                                   | -<br>-                                   | -<br>-                                            | -<br>-                        |
| 26. Ms. Natcha Argasreog<br>Spouse and minor children      | Financial Planning<br>Department Head              | 220<br>-                                 | 220<br>-                                 | 0<br>-                                            | 0.000<br>-                    |

**Note : N/A**

- Mr. Sara Lamsam was appointed as Director on January 1, 2016. Hence, number of shares held as of December 31, 2015 are not applicable for comparison.
- Mr. Chongrak Rattanapian was appointed as Finance and Control Division Head and Chief Financial Officer on January 1, 2016. Hence, number of shares held as of December 31, 2015 are not applicable for comparison.
- Mr. Pongpichet Nananukool was assigned to supervise the Financial Planning Department on January 1, 2016. Hence, number of shares held as of December 31, 2015 are not applicable for comparison.

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 <sup>(1)</sup> | Total Number of Shares Held <sup>(2)</sup> | Proportion of Total Shares Held (%) | Type of Share |
|--------------------------------------------------------------------------------------------------------|------------------------------------|-------------------------------|-----------------------------------|--------------------------------|-----------------------------------------------|--------------------------------------------|-------------------------------------|---------------|
| 1. KASIKORN ASSET MANAGEMENT CO., LTD.<br>Tel. +662-6733999<br>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.<br>Tel. +662-2731144<br>Fax +662-2701235                         | Bangkok                            | Service                       | 10.00                             | 10.00                          | 100,000                                       | 100,000                                    | 100.00                              | Common Share  |
| 3. KASIKORN SECURITIES PCL<br>Tel. +662-6960000<br>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.<br>Tel. +662-6969999<br>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.<br>Tel. +662-2902900<br>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.<br>Tel. 02-008-1000 Fax -                           | Nonthaburi                         | Service                       | 5.00                              | 5.00                           | 50,000                                        | 50,000                                     | 100.00                              | Common Share  |
| 7. KASIKORN LABS CO., LTD.<br>Tel. 02-008-1100 Fax -                                                   | Nonthaburi                         | Service                       | 5.00                              | 5.00                           | 50,000                                        | 50,000                                     | 100.00                              | Common Share  |
| 8. KASIKORN SOFT CO., LTD.<br>Tel. 02-008-2000 Fax -                                                   | Nonthaburi                         | Service                       | 5.00                              | 5.00                           | 50,000                                        | 50,000                                     | 100.00                              | Common Share  |
| 9. KASIKORN PRO CO., LTD.<br>Tel. 02-008-1500 Fax -                                                    | Nonthaburi                         | Service                       | 5.00                              | 5.00                           | 50,000                                        | 50,000                                     | 100.00                              | Common Share  |
| 10. KASIKORN SERVE CO., LTD.<br>Tel. +662-0083700 Fax -                                                | Bangkok                            | Service                       | 10.00                             | 10.00                          | 100,000                                       | 100,000                                    | 100.00                              | Common Share  |
| 11. Muang Thai Group Holding Co., Ltd.<br>Tel. +662-2764859<br>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.<br>Tel. (856) (21) 410882<br>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.<br>Tel. +662-4701162<br>Fax +662-5626465                           | Bangkok                            | Venture Capital               | 200.00                            | 200.00                         | 20,000,000                                    | 20,000,000                                 | 100.00                              | Common Share  |
| 14. BEACON VENTURE CAPITAL COMPANY LIMITED<br>Tel. +662-222-0000 Fax -                                 | Nonthaburi                         | Venture Capital               | 1,000.00                          | 250.00                         | 100,000,000                                   | 99,999,997                                 | 100.00                              | Common Share  |
| 15. Phethai Asset Management Co., Ltd.<br>Tel. +662-5626401-25<br>Fax +662-2733171                     | Bangkok                            | Asset Management              | 1,930.00                          | 1,930.00                       | 193,000,000                                   | 193,000,000                                | 100.00                              | Common Share  |
| 16. Starbright Finance Co., Ltd. <sup>(2)</sup><br>Tel. (86) (21) 5098 8862<br>Fax (86) (21) 5098 8852 | 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 <sup>(1)</sup> | Total Number of Shares Held <sup>(2)</sup> | Proportion of Total Shares Held (%) | Type of Share |
|------------------------------------------------------------------------------------------|------------------------------------|-------------------------------------|-----------------------------------|--------------------------------|-----------------------------------------------|--------------------------------------------|-------------------------------------|---------------|
| 17. PROGRESS PLUS CO., LTD.<br>Tel. +662-2252020<br>Fax +662-2252021                     | Bangkok                            | Sales of inventories and/or service | 6.00                              | 6.00                           | 60,000                                        | 60,000                                     | 100.00                              | Common Share  |
| 18. PROGRESS APPRAISAL CO., LTD.<br>Tel. +662-2706900<br>Fax +662-2785035                | Bangkok                            | Service                             | 5.00                              | 5.00                           | 5,000                                         | 5,000                                      | 100.00                              | Common Share  |
| 19. PROGRESS GUNPAI SECURITY GUARD CO., LTD.<br>Tel. +662-2733900<br>Fax +662-9806265    | Bangkok                            | Service                             | 20.00                             | 20.00                          | 200,000                                       | 200,000                                    | 100.00                              | Common Share  |
| 20. PROGRESS MANAGEMENT CO., LTD.<br>Tel. +662-2751880<br>Fax +662-2751889-91            | Bangkok                            | Service                             | 20.00                             | 6.00                           | 60,000                                        | 60,000                                     | 100.00                              | Common Share  |
| 21. PROGRESS FACILITIES MANAGEMENT CO., LTD.<br>Tel. +662-2733288-91<br>Fax +662-2733292 | Bangkok                            | Service                             | 5.00                              | 5.00                           | 50,000                                        | 50,000                                     | 100.00                              | Common Share  |
| 22. PROGRESS SERVICE SECURITY GUARD CO., LTD.<br>Tel. +662-2733293-4<br>Fax +662-2733292 | Bangkok                            | Service                             | 2.00                              | 2.00                           | 20,000                                        | 20,000                                     | 100.00                              | Common Share  |
| 23. PROGRESS STORAGE CO., LTD.<br>Tel. +662-2733833<br>Fax +662-2714784                  | Bangkok                            | Service                             | 3.00                              | 3.00                           | 30,000                                        | 30,000                                     | 100.00                              | Common Share  |
| 24. PROGRESS H R CO., LTD.<br>Tel. +662-2701070-8<br>Fax +662-2701068-9                  | Bangkok                            | Service                             | 1.00                              | 1.00                           | 10,000                                        | 10,000                                     | 100.00                              | Common Share  |
| 25. PROGRESS SERVICE SUPPORT CO., LTD.<br>Tel. +662-4705420<br>Fax +662-8888882          | Nonthaburi                         | Service                             | 4.00                              | 4.00                           | 40,000                                        | 40,000                                     | 100.00                              | Common Share  |
| 26. PROGRESS COLLECTION CO., LTD.<br>Tel. +662-4705284<br>Fax +662-4705288               | Bangkok                            | Service                             | 5.00                              | 5.00                           | 50,000                                        | 50,000                                     | 100.00                              | Common Share  |
| 27. PROGRESS TRAINING CO., LTD.<br>Tel. +662-4706273<br>Fax +662-4703198                 | Bangkok                            | Service                             | 1.70                              | 1.70                           | 17,000                                        | 17,000                                     | 100.00                              | Common Share  |
| 28. Processing Center Co., Ltd.<br>Tel. +662-2376330-4<br>Fax +662-2376340               | Bangkok                            | Service                             | 50.00                             | 50.00                          | 500,000                                       | 150,000                                    | 30.00                               | Common Share  |
| 29. National ITMX Co.,Ltd.<br>Tel. +662-5587555                                          | Nonthaburi                         | Service                             | 50.00                             | 50.00                          | 500,000                                       | 110,750                                    | 22.15                               | Common Share  |
| 30. Muangthai Holding Co., Ltd.<br>Tel. +662-6932729                                     | Bangkok                            | Investment in other Companies       | 456.00                            | 456.00                         | 45,600,000                                    | 4,560,000                                  | 10.00                               | Common Share  |
| 31. SUPERNAP (Thailand) Company Limited<br>Tel. +662-2648000<br>Fax +662-6572222         | Bangkok                            | Service                             | 2,000.00                          | 1,410.00                       | 200,000,000                                   | 20,000,000                                 | 10.00                               | 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 <sup>(1)</sup> | Total Number of Shares Held <sup>(2)</sup> | Proportion of Total Shares Held (%) | Type of Share |
|-------------------------------------------------------------------------|------------------------------------|--------------------|-----------------------------------|--------------------------------|-----------------------------------------------|--------------------------------------------|-------------------------------------|---------------|
| 32. T S C Innovation Co., Ltd.<br>Tel. +662-6829700<br>Fax +662-6829709 | Bangkok                            | Telecommunications | 300.00                            | 225.00                         | 30,000,000                                    | 3,000,000                                  | 10.00                               | Common Share  |
| 33. Palit Palangngan Co., Ltd.<br>Tel. +662-7161600<br>Fax +662-7161488 | Bangkok                            | Energy & Utilities | 1.00                              | 1.00                           | 10,000                                        | 1,000                                      | 10.00                               | Common Share  |
| 34. Unitas Co., Ltd.<br>Tel. +662-2626000<br>Fax +662-2626354           | Bangkok                            | Land Rental        | 11.05                             | 5.53                           | 110,532                                       | 11,053                                     | 10.00                               | Common Share  |
| 35. Zin Suapah Co., Ltd.<br>Tel. +662-2212841<br>Fax +662-2212841       | Bangkok                            | Service            | 6.00                              | 3.00                           | 6,000                                         | 600                                        | 10.00                               | Common Share  |

**Note:** <sup>(1)</sup> Total number of paid-up shares and total number of shares held include common shares and preferred shares.

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