

Part 3

Financial Position and Operating Results

13. Financial Highlights

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

An auditor is KPMG Phoomchai Audit Limited who has audited the financial statements for the year 2016, 2015 and 2014.

Summary of Independent Auditor's Report 2016

An auditor expressed an unqualified opinion on the consolidated financial statement and the Bank-only financial statement for the year ended 31 December 2016.

Summary of Independent Auditor's Report 2015

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

Summary of Independent Auditor's Report 2014

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

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

KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

Thousand Baht

	<i>Consolidated</i>		
	31 December		
	2016	2015	2014
ASSETS			
Cash	60,588,798	56,226,230	58,005,650
Interbank and money market items - net	349,206,519	308,744,496	135,518,408
Claims on security	6,530	1,288	84,453
Derivative assets	31,765,140	31,830,604	23,980,802
Investments - net	649,597,727	477,200,035	567,226,644
Investments in subsidiaries and associates - net	781,163	662,368	479,429
Loans to customers and accrued interest receivables - net			
Loans to customers	1,707,234,699	1,619,526,585	1,537,027,491
Accrued interest receivables	3,491,802	3,088,273	3,025,475
Total Loans to customers and accrued interest receivables	1,710,726,501	1,622,614,858	1,540,052,966
<u>Less</u> Deferred revenue	(9,653,955)	(9,639,590)	(9,947,819)
<u>Less</u> Allowance for doubtful accounts	(82,418,056)	(60,901,538)	(47,434,099)
<u>Less</u> Revaluation allowance for debt restructuring	(2,793,966)	(3,415,769)	(3,557,891)
Total Loans to customers and accrued interest receivables - net	1,615,860,524	1,548,657,961	1,479,113,157
Customers' liability under acceptances	2,582,569	130,862	1,705,137
Properties foreclosed - net	15,443,877	14,196,584	11,788,377
Premises and equipment - net	49,727,867	45,284,434	44,608,689
Goodwill and other intangible assets - net	23,969,609	24,234,227	25,882,071
Deferred tax assets	4,572,254	5,584,612	3,943,870
Collateral per credit support annex	9,793,335	13,861,552	6,872,874
Other assets - net	31,971,665	28,690,119	29,927,031
Total Assets	2,845,867,577	2,555,305,372	2,389,136,592

KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION (Continued)

Thousand Baht

	<i>Consolidated</i>		
	31 December		
	2016	2015	2014
LIABILITIES AND EQUITY			
Deposits	1,794,835,096	1,705,379,017	1,629,831,110
Interbank and money market items	160,052,342	71,465,737	75,693,710
Liabilities payable on demand	19,845,973	23,545,166	17,343,284
Liabilities to deliver security	649,817	121,282	103,788
Financial liabilities designated at fair value through profit or loss	-	38,890	-
Derivative liabilities	31,629,510	33,570,889	23,249,358
Debts issued and borrowings	96,375,833	85,577,772	87,313,756
Bank's liability under acceptances	2,582,569	130,862	1,705,137
Provisions	22,494,499	21,586,936	19,751,239
Deferred tax liabilities	1,806,825	1,907,000	1,868,948
Insurance contract liabilities	305,823,756	251,447,597	202,565,648
Other liabilities	55,859,764	48,321,275	49,024,760
Total Liabilities	2,491,955,984	2,243,092,423	2,108,450,738
Equity			
Share capital			
Authorized share capital			
3,048,614,697 common shares, Baht 10 par value	30,486,147	30,486,147	30,486,147
Issued and paid-up share capital			
2,393,260,193 common shares, Baht 10 par value	23,932,602	23,932,602	23,932,602
Premium on common shares	18,103,110	18,103,110	18,103,110
Other reserves	19,786,356	14,843,155	15,823,105
Retained earnings			
Appropriated			
Legal reserve	3,050,000	3,050,000	3,050,000
Unappropriated	256,874,044	225,870,851	196,150,422
Total Equity attributable to equity holders of the Bank	321,746,112	285,799,718	257,059,239
Non-controlling interests	32,165,481	26,413,231	23,626,615
Total Equity	353,911,593	312,212,949	280,685,854
Total Liabilities and Equity	2,845,867,577	2,555,305,372	2,389,136,592

KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

Thousand Baht

	<i>The Bank</i>		
	31 December		
	2016	2015	2014
ASSETS			
Cash	60,541,754	56,203,527	57,997,253
Interbank and money market items - net	338,192,122	298,523,171	125,354,819
Derivative assets	32,026,598	32,513,462	24,049,869
Investments - net	320,870,527	213,198,650	351,696,993
Investments in subsidiaries and associates - net	15,438,978	14,475,750	13,871,670
Loans to customers and accrued interest receivables - net			
Loans to customers	1,672,246,136	1,588,064,981	1,510,348,000
Accrued interest receivables	3,052,902	2,706,922	2,705,656
Total Loans to customers and accrued interest receivables	1,675,299,038	1,590,771,903	1,513,053,656
<u>Less</u> Deferred revenue	(339,057)	(293,927)	(243,191)
<u>Less</u> Allowance for doubtful accounts	(79,920,653)	(59,135,674)	(46,122,469)
<u>Less</u> Revaluation allowance for debt restructuring	(2,793,966)	(3,415,756)	(3,557,873)
Total Loans to customers and accrued interest receivables - net	1,592,245,362	1,527,926,546	1,463,130,123
Customers' liability under acceptances	2,582,569	130,862	1,705,137
Properties foreclosed - net	15,283,129	13,865,038	11,356,847
Premises and equipment - net	41,052,028	36,850,925	36,538,091
Goodwill and other intangible assets - net	19,016,854	19,538,162	21,504,502
Deferred tax assets	3,835,422	4,614,921	3,672,439
Collateral per credit support annex	9,793,335	13,861,552	6,872,874
Other assets - net	16,373,658	16,564,302	18,887,232
Total Assets	2,467,252,336	2,248,266,868	2,136,637,849

KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION (Continued)

Thousand Baht

	<i>The Bank</i> 31 December		
	2016	2015	2014
LIABILITIES AND EQUITY			
Deposits	1,798,440,168	1,708,593,777	1,632,226,821
Interbank and money market items	169,508,323	81,844,870	84,796,001
Liabilities payable on demand	19,845,973	23,544,465	17,343,284
Financial liabilities designated at fair value through profit or loss	-	38,890	-
Derivative liabilities	30,015,390	31,703,137	22,624,946
Debts issued and borrowings	96,208,164	85,382,126	87,170,939
Bank's liability under acceptances	2,582,569	130,862	1,705,137
Provisions	21,323,796	20,767,651	19,162,389
Other liabilities	34,978,940	32,307,029	32,165,778
Total Liabilities	2,172,903,323	1,984,312,807	1,897,195,295
Equity			
Share capital			
Authorized share capital			
3,048,614,697 common shares, Baht 10 par value	30,486,147	30,486,147	30,486,147
Issued and paid-up share capital			
2,393,260,193 common shares, Baht 10 par value	23,932,602	23,932,602	23,932,602
Premium on common shares	18,103,110	18,103,110	18,103,110
Other reserves	16,952,416	12,924,550	13,135,335
Retained earnings			
Appropriated			
Legal reserve	3,050,000	3,050,000	3,050,000
Unappropriated	232,310,885	205,943,799	181,221,507
Total Equity attributable to equity holders of the Bank	294,349,013	263,954,061	239,442,554
Total Liabilities and Equity	2,467,252,336	2,248,266,868	2,136,637,849

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

Thousand Baht

	<i>Consolidated</i>		
	For the year ended 31 December		
	2016	2015	2014
Interest income	115,872,881	114,353,841	113,578,385
Interest expenses	26,195,093	29,341,410	30,446,136
Interest income - net	89,677,788	85,012,431	83,132,249
Fees and service income	48,631,263	46,412,952	42,690,360
Fees and service expenses	9,687,936	8,886,896	8,746,405
Fees and service income - net	38,943,327	37,526,056	33,943,955
Gain on trading and foreign exchange transactions	8,746,212	8,887,147	6,132,280
Loss on financial liabilities designated at fair value through profit or loss	(4,175)	(6,368)	(3,098)
Gain on investments	1,587,638	785,314	1,182,730
Share of profit from investments using equity method	116,696	95,841	88,383
Dividend income	1,609,208	1,345,526	1,096,669
Net premiums earned	94,445,248	85,380,326	73,088,114
Other operating income	2,462,467	1,528,274	1,313,387
Total operating income	237,584,409	220,554,547	199,974,669
Underwriting expenses	84,181,733	73,039,421	61,319,087
Total operating income - net	153,402,676	147,515,126	138,655,582
Other operating expenses			
Employee's expenses	30,201,493	28,928,689	28,124,471
Directors' remuneration	138,415	134,424	119,862
Premises and equipment expenses	12,433,822	13,234,826	12,213,231
Taxes and duties	4,476,461	4,222,929	4,248,897
Impairment on application software and related expense	-	2,314,508	-
Others	16,604,189	17,820,771	16,712,546
Total other operating expenses	63,854,380	66,656,147	61,419,007
Impairment loss on loans and debt securities	33,752,607	26,377,292	14,242,815
Operating profit before income tax expense	55,795,689	54,481,687	62,993,760
Income tax expense	10,455,952	10,527,123	12,692,003
Net profit	45,339,737	43,954,564	50,301,757

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

Thousand Baht

	<i>Consolidated</i>		
	For the year ended 31 December		
	2016	2015	2014
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss			
Gain (loss) on remeasurement of available-for-sale investments	3,549,524	(1,896,026)	3,085,372
(Loss) gain arising from translating the financial statements of a foreign operation	(110,666)	(285,465)	43,338
Income taxes relating to components of other comprehensive income	(734,209)	348,510	(579,148)
Items that will not be reclassified subsequently to profit or loss			
Changes in revaluation surplus	4,660,080	-	1,910,331
Actuarial gain (loss) on defined benefit plans	329,389	(420,259)	(2,180,000)
Income taxes relating to components of other comprehensive income	(997,894)	75,032	53,934
Total other comprehensive income	6,696,224	(2,178,208)	2,333,827
Total comprehensive income	52,035,961	41,776,356	52,635,584
Net profit attributable to :			
Equity holders of the Bank	40,174,100	39,473,635	46,153,408
Non-controlling interests	5,165,637	4,480,929	4,148,349
Total comprehensive income attributable to :			
Equity holders of the Bank	45,537,588	38,311,307	46,202,481
Non-controlling interests	6,498,373	3,465,049	6,433,103
Earnings per share of equity holders of the Bank			
Basic earnings per share (Baht)	16.79	16.49	19.28
Weighted average number of common shares (Thousand shares)	2,393,260	2,393,260	2,393,260

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

Thousand Baht

	<i>The Bank</i>		
	For the year ended 31 December		
	2016	2015	2014
Interest income	100,509,100	101,107,572	102,717,815
Interest expenses	26,137,839	29,227,968	30,471,785
Interest income - net	74,371,261	71,879,604	72,246,030
Fees and service income	48,092,898	47,061,082	42,833,314
Fees and service expenses	9,480,157	8,844,143	8,626,380
Fees and service income - net	38,612,741	38,216,939	34,206,934
Gain on trading and foreign exchange transactions	8,574,495	8,592,024	5,958,269
Loss on financial liabilities designated at fair value through profit or loss	(4,175)	(6,368)	(3,098)
Gain on investments	1,020,290	358,114	610,538
Dividend income	3,671,519	2,543,939	3,321,587
Other operating income	5,560,373	5,115,474	4,112,504
Total operating income	131,806,504	126,699,726	120,452,764
Other operating expenses			
Employee's expenses	22,357,662	22,281,198	22,086,862
Directors' remuneration	89,637	85,759	77,992
Premises and equipment expenses	12,468,570	13,023,333	11,756,023
Taxes and duties	4,018,372	3,832,944	3,914,710
Impairment on application software and related expense	-	2,314,508	-
Others	16,968,457	17,255,578	16,108,659
Total other operating expenses	55,902,698	58,793,320	53,944,246
Impairment loss on loans and debt securities	32,931,330	25,767,764	13,916,385
Operating profit before income tax expense	42,972,476	42,138,642	52,592,133
Income tax expense	7,458,130	7,737,985	10,069,827
Net profit	35,514,346	34,400,657	42,522,306

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

Thousand Baht

	<i>The Bank</i>		
	For the year ended 31 December		
	2016	2015	2014
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss			
Gain on remeasurement of available-for-sale investments	775,014	202,179	50,695
(Loss) gain arising from translating the financial statements of a foreign operation	(118,895)	(258,858)	40,880
Income taxes relating to components of other comprehensive income	(201,686)	(41,050)	(8,925)
Items that will not be reclassified subsequently to profit or loss			
Changes in revaluation surplus	4,660,080	-	-
Actuarial (gain) loss on defined benefit plans	331,826	(272,976)	(2,180,000)
Income taxes relating to components of other comprehensive income	(998,381)	54,596	436,000
Total other comprehensive income	4,447,958	(316,109)	(1,661,350)
Total comprehensive income	39,962,304	34,084,548	40,860,956
Earnings per share of equity holders of the Bank			
Basic earnings per share (Baht)	14.84	14.37	17.77
Weighted average number of common shares (Thousand shares)	2,393,260	2,393,260	2,393,260

KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

Thousand Baht

	<i>Consolidated</i>		
	For the year ended 31 December		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit before income tax expense	55,795,689	54,481,687	62,993,760
Add (Less) Adjustments to reconcile operating profit before income tax expense to net cash from operating activities			
Depreciation and amortisation	7,263,908	6,732,328	5,723,065
Bad debt and doubtful accounts	32,323,027	24,827,714	13,474,853
Loss on debt restructuring	2,276,963	2,005,975	1,304,808
Interest income from amortisation of revaluation allowance for debt restructuring	(1,225,469)	(599,353)	(382,815)
Loss (Gain) on foreign exchange translation of long-term borrowings	5,220	(11,793)	(2,717)
(Gain) Loss on revaluation of trading investments	(32,497)	19,535	30,630
(Reversal) Loss on impairment of investments	(59,483)	86,189	(121,926)
Gain on disposal of investments securities	(1,587,273)	(815,304)	(1,184,826)
Gain on liquidation of subsidiary	-	-	(630)
Gain on disposal of investments in associated companies	(366)	(277)	(7,734)
Loss on impairment of properties foreclosed	292,080	626,279	621,301
Loss on impairment of premises and equipment	332,496	-	-
Loss on impairment on application software	-	2,314,508	-
Provision for other assets	356,007	1,275,512	117,715
Gain on disposal of premises and equipment	(1,700)	(13,347)	(4,515)
Loss on write off of premises and equipment	104,834	69,659	98,659
Loss on write off of other assets	300,135	82,418	357,422
(Reversal) Loss on revaluation of premises	(109,729)	-	156,939
Share of profit from investments using equity method	(116,696)	(95,841)	(88,383)
	95,917,146	90,985,889	83,085,606
Interest income - net	(89,677,788)	(85,012,431)	(83,132,249)
Dividend income	(1,609,208)	(1,345,526)	(1,096,669)
Proceeds from interest	113,155,441	114,059,219	112,683,954
Interest paid	(26,580,779)	(29,448,808)	(30,729,347)
Proceeds from dividends	1,644,458	1,370,546	1,127,414
Income tax paid	(10,512,977)	(13,172,444)	(12,558,598)
Profit from operating before changes in operating assets and liabilities	82,336,293	77,436,445	69,380,111

KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS (Continued)

Thousand Baht

	<i>Consolidated</i>		
	For the year ended 31 December		
	2016	2015	2014
(Increase) Decrease in operating assets			
Interbank and money market items (assets)	(42,644,690)	(166,887,483)	67,863,909
Investments held for trading	(1,715,841)	10,234,910	(9,885,840)
Loans to customers	(103,963,050)	(101,387,845)	(101,770,115)
Properties foreclosed	2,906,064	2,868,779	2,476,272
Other assets	1,581,142	(16,593,387)	11,812,236
Increase (Decrease) in operating liabilities			
Deposits	89,853,228	75,056,203	100,119,138
Interbank and money market items (liabilities)	89,574,361	(6,672,877)	(91,706,077)
Liabilities payable on demand	(3,699,193)	6,201,882	(4,454,459)
Financial liabilities designated at fair value through profit or loss	(38,890)	38,890	(388,850)
Short-term debts issued and borrowings	(4,350,493)	(4,770,506)	(9,178,187)
Other accrued expenses	483,038	(278,542)	1,826,726
Provisions	1,236,984	1,415,376	1,578,380
Other liabilities	59,860,965	60,253,754	30,893,741
Net cash provided by (used in) operating activities	171,419,918	(63,084,401)	68,566,985
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of available-for-sale investments	303,021,210	361,462,052	429,406,748
Proceeds from redemption of held-to-maturity debt instruments	40,545,072	59,758,824	14,602,318
Proceeds from disposal of general investments	987,815	1,150,716	54,735
Proceeds from liquidation of subsidiary	-	-	630
Proceeds from disposal of investments in associated companies	1,320	1,457	15,532
Purchase of available-for-sale investments	(418,835,661)	(233,752,869)	(431,178,893)
Purchase of held-to-maturity debt instruments	(90,385,599)	(107,841,311)	(68,007,626)
Purchase of general investments	(188,816)	(1,077,351)	(433,843)
Purchase of investments in associated companies	(51,575)	(139,478)	(60,000)
Proceeds from disposal of premises and equipment	11,547	18,755	8,870
Purchase of premises and equipment	(4,010,169)	(4,407,975)	(6,264,382)
Purchase of leasehold	(132,501)	(316,882)	(83,036)
Purchase of intangible assets	(2,935,290)	(3,083,424)	(4,912,954)
Net cash (used in) provided by investing activities	(171,972,647)	71,772,514	(66,851,901)

KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS (Continued)

Thousand Baht

	<i>Consolidated</i>		
	For the year ended 31 December		
	2016	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term debts issued and borrowings	21,578,690	7,282,361	25,236,200
Repayment of long-term debts issued and borrowings	(6,353,019)	(7,500,000)	(600,000)
Dividend paid to shareholders	(9,573,040)	(9,573,041)	(8,376,411)
Dividend paid to non-controlling interests	(739,753)	(678,433)	(581,597)
Net cash provided by (used in) financing activities	4,912,878	(10,469,113)	15,678,192
Effect of exchange rate changes on balances held in foreign currencies	2,419	1,580	2,458
Net increase (decrease) in cash	4,362,568	(1,779,420)	17,395,734
Cash at the beginning of the year	56,226,230	58,005,650	40,609,916
Cash at the end of the year	60,588,798	56,226,230	58,005,650

KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

Thousand Baht

	<i>The Bank</i>		
	For the year ended 31 December		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit before income tax expense	42,972,476	42,138,642	52,592,133
Add (Less) Adjustments to reconcile operating profit before income tax expense to net cash from operating activities			
Depreciation and amortisation	6,549,209	6,092,677	5,112,045
Bad debt and doubtful accounts	31,339,347	24,158,650	13,100,116
Loss on debt restructuring	2,276,963	2,005,975	1,304,791
Interest income from amortisation of revaluation allowance for debt restructuring	(1,225,456)	(599,348)	(382,804)
Loss (Gain) on foreign exchange translation of long-term borrowings	5,220	(11,793)	(2,717)
Loss (Gain) on revaluation of trading investments	18,609	(4,729)	13,243
Reversal of loss on impairment of investments	(171,719)	(561)	(123,776)
Gain on disposal of investments securities	(819,868)	(358,114)	(616,974)
Gain on liquidation of subsidiaries	(28,703)	-	(630)
Loss on impairment of properties foreclosed	362,905	629,812	521,103
Loss on impairment of premises and equipment	332,496	-	-
Loss on impairment on application software	-	2,314,508	-
Provision for other assets	356,007	1,275,512	117,715
Gain on disposal of premises and equipment	(1,805)	(5,608)	(814)
Loss on write off of premises and equipment	96,332	62,807	93,045
Loss on write off of other assets	300,135	82,418	357,422
Reversal of loss on revaluation of premises	(109,729)	-	-
	82,252,419	77,780,848	72,083,898
Interest income - net	(74,371,261)	(71,879,604)	(72,246,030)
Dividend income	(3,671,519)	(2,543,939)	(3,321,587)
Proceeds from interest	98,175,858	100,517,639	101,373,884
Interest paid	(26,525,561)	(29,353,757)	(30,755,987)
Proceeds from dividends	3,691,713	2,524,258	3,320,864
Income tax paid	(7,368,507)	(10,154,635)	(9,944,544)
Profit from operating before changes in operating assets and liabilities	72,183,142	66,890,810	60,510,498

KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS (Continued)

Thousand Baht

	<i>The Bank</i>		
	For the year ended 31 December		
	2016	2015	2014
(Increase) Decrease in operating assets			
Interbank and money market items (assets)	(41,806,638)	(166,970,168)	75,480,824
Investments held for trading	(195,182)	9,988,900	(9,194,544)
Loans to customers	(99,949,606)	(95,317,906)	(98,695,212)
Properties foreclosed	2,489,455	2,408,299	2,223,212
Other assets	5,020,768	(16,172,922)	12,068,728
Increase (Decrease) in operating liabilities			
Deposits	90,241,165	75,933,652	99,762,014
Interbank and money market items (liabilities)	88,671,162	(5,324,672)	(88,988,269)
Liabilities payable on demand	(3,698,492)	6,201,181	(4,454,459)
Financial liabilities designated at fair value through profit or loss	(38,890)	38,890	(388,850)
Short-term debts issued and borrowings	(4,322,516)	(4,823,334)	(9,279,431)
Other accrued expenses	81,554	(660,761)	1,461,319
Provisions	888,003	1,332,224	1,521,115
Other liabilities	941,328	11,316,144	(13,125,028)
Net cash provided by (used in) operating activities	110,505,253	(115,159,663)	28,901,917
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of available-for-sale investments	283,704,296	353,515,282	410,300,829
Proceeds from redemption of held-to-maturity debt instruments	36,218,606	57,267,062	10,481,878
Proceeds from disposal of general investments	984,267	1,139,850	37,196
Proceeds from capital decrease in subsidiary	190,000	200,000	250,000
Proceeds from liquidation of subsidiaries	4,530,660	-	1,808
Purchase of available-for-sale investments	(396,240,462)	(216,566,723)	(407,453,965)
Purchase of held-to-maturity debt instruments	(29,869,676)	(64,108,150)	(29,754,287)
Purchase of general investments	(1,000)	(1,077,351)	(417,000)
Purchase of investments in subsidiaries	(5,498,272)	(780,948)	(1,094,839)
Purchase of investments in associated companies	-	(23,132)	-
Proceeds from disposal of premises and equipment	6,041	8,266	916
Purchase of premises and equipment	(3,197,809)	(3,495,834)	(5,418,816)
Purchase of leasehold	(109,543)	(271,725)	(82,704)
Purchase of intangible assets	(2,537,257)	(2,649,984)	(4,623,730)
Net cash (used in) provided by investing activities	(111,820,149)	123,156,613	(27,772,714)

KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS (Continued)

Thousand Baht

	<i>The Bank</i> For the year ended 31 December		
	2016	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term debts issued and borrowings	21,578,690	7,282,360	25,236,200
Repayment of long-term debts issued and borrowings	(6,353,019)	(7,500,000)	(600,000)
Dividend paid to shareholders	(9,573,040)	(9,573,041)	(8,376,411)
Net cash provided by (used in) financing activities	5,652,631	(9,790,681)	16,259,789
Effect of exchange rate changes on balances held in foreign currencies	492	5	(1)
Net increase (decrease) in cash	4,338,227	(1,793,726)	17,388,991
Cash at the beginning of the year	56,203,527	57,997,253	40,608,262
Cash at the end of the year	60,541,754	56,203,527	57,997,253

KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

FINANCIAL RATIO

(Units: Percent)

Financial Ratio	Consolidated Financial Statements		
	2014	2015	2016
Profitability Ratio			
Gross Profit Margin ^(A)	74.9	76.2	78.2
Net Profit Margin	33.3	26.8	26.2
Return on Equity	19.4	14.5	13.2
Yield ^(B)	5.2	4.9	4.5
Cost of Funds ^(C)	1.7	1.6	1.3
Spread	3.5	3.3	3.2
Return on Investment	3.3	3.1	2.9
Efficiency Ratio			
Net Interest Margin ^(D)	3.6	3.4	3.3
Return on Assets	2.0	1.6	1.5
Asset Turnover Ratio (times)	0.06	0.06	0.06
Financial Ratio			
Liabilities to Equity (times)	8.2	7.8	7.7
Loans to Borrowing	88.0	88.7	88.8
Loans to Deposits	93.7	94.4	94.6
Deposits to Liabilities	77.3	76.0	72.0
Dividend Payout Ratio	n.a.	n.a.	n.a.
Capital Adequacy Ratio	17.3	18.0	18.8
Asset Quality Ratio			
Allowances for Doubtful Accounts to Loans	3.3	4.0	5.0
Bad Debts to Loans	0.5	0.6	0.6
Non-Performing Loans to Total Loans ^(E)	2.2	2.7	3.3
Accrued Interest Receivables to Loans	0.2	0.2	0.2

Notes:

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

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

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

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

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

14. Management Discussion and Analysis

In 2016, Thai economic growth remained fragile, but was bolstered by government spending and stimulus efforts, as well as by thriving tourism. Investment and private spending saw decelerating rebounds. Amid an imbalanced economy that had yet to see a full recovery across all sectors, KBank focused efforts on operating costs and integrated risk management using a proactive approach in parallel with assistance to our customers to sustain their businesses and financial status. This of course was in alignment with our “Customer Centricity” strategy and our endeavors towards becoming the “Customers’ Main Bank”. We are determined to accommodate the varied needs of our customers across all segments to support sustainable long-term growth in line with our organization-wide commitment to strengthening awareness towards becoming a ‘Bank of Sustainability’ across all dimensions.

Guided by these business strategies for 2016, KBank and subsidiaries reported a net profit of Baht 40,174 million, an increase of Baht 700 million, or 1.77 percent over-year. Meanwhile, our impairment loss on loans and debt securities increased Baht 7,376 million – 27.96 percent higher – to cope with the slowing economic recovery, which was reflected in our proactive asset quality management. The rise in net profit was attributed to an increase of Baht 8,690 million in operating profit before provision expense and income tax expense, 10.75 percent higher over-year, which was derived from net interest income that rose Baht 4,666 million – 5.49 percent higher over-year – due to rising interest income from interbank and money market items, as well as falling interest expenses. At the same time, non-interest income increased Baht 1,222 million – 1.96 percent higher over-year – while operating expenses declined Baht 2,802 million, a 4.20 percent drop over-year.

As such, KBank was able to maintain key financial ratios at levels consistent with our overall economic performance. Our net interest margin (NIM) equaled 3.52 percent, lower than the previous year but higher than our target. Our cost to income ratio was favorable at 41.63 percent – more effective than the preceding year. Meanwhile, our robust capital position was sufficient to cushion against risks, and greater than the Bank of Thailand’s requirement. In evidence of this, KASIKORNBANK FINANCIAL CONGLOMERATE’s capital adequacy ratio (CAR) according to the Basel III accord was 18.84 percent, with a Tier-1 capital ratio of 15.16 percent.

The operating performance of the wholly-owned subsidiaries of KBank was also satisfactory in terms of quantity and quality due to the concerted efforts of all units involved. KASIKORN SECURITIES PCL continued to report favorable operating performance and was able to retain its market leadership. KASIKORN ASSET MANAGEMENT CO., LTD. remained at the top of the asset management business. KASIKORN LEASING CO., LTD. sustained satisfactory lending business volume and asset quality. Net lending by KASIKORN FACTORY & EQUIPMENT CO., LTD. continued to grow in accordance with our target. In addition, Muang Thai Life Assurance PCL retained its leadership in the bancassurance business, with total premium market share of 28.10 percent in 2016.

All of the above endeavors and satisfactory operating performance, together with sound corporate governance, allowed KBank and K Companies to meet business targets to gain wide acceptance and recognition at home and abroad, as reflected in the numerous awards we received in 2016.

Looking ahead into 2017, we continue to face a new competitive era vis-à-vis the economy, regulatory requirements, technologies and fast-changing consumer behavior because of a broader marketplace within the ASEAN Economic Community (AEC) in the advancing digital age. To achieve long-term sustainable growth and returns while maintaining our leadership in the market, the Conglomerate’s strategies thus emphasize enhancement of our business capabilities. Blending technology with business

partner collaborations – including startup firms – we intend to create even more financial product and service innovations to uplift our sales and enhance our service quality excellence. We remain committed to efficient operating cost and asset quality management, as well as maximization of our resource utilization in both IT and human resource management, primarily taking into consideration customer benefits together with the protection of their rights.

Operating Performance

KBank's consolidated net profit for 2016 totaled Baht 40,174 million, increasing Baht 700 million – 1.77 percent higher over-year – despite an increase of Baht 7,376 million in impairment loss on loans and debt securities – 27.96 percent higher – to cope with the slow economic recovery. Operating profit before provision expense and income tax expense rose Baht 8,690 million, or 10.75 percent higher over-year, which were derived from net interest income increased Baht 4,666 million – 5.49 percent higher over-year – due to rising interest income from interbank and money market items and falling interest expenses. Meanwhile, non-interest income rose Baht 1,222 million, or 1.96 percent, as a result of an increase in net fees and service income as well as revenue from capital market products. Other operating expenses decreased Baht 2,802 million, or 4.20 percent over-year. The decline could be attributed mainly to extraordinary expenses for setting the allowance for impairment on application software and related expenses, amounting to Baht 2,314 million, in previous year.

Operating Performance for 2016

	2016	2015	(Unit: Million Baht)	
			Change	
			Million Baht	Percent
Net Interest Income	89,678	85,012	4,666	5.49
Non-Interest Income	63,725	62,503	1,222	1.96
Total Operating Income - net	153,403	147,515	5,888	3.99
Total Other Operating Expenses	63,854	66,656	(2,802)	(4.20)
Impairment Loss on Loans and Debt Securities	33,753	26,377	7,376	27.96
Net Profit (attributable to equity holders of KBank)	40,174	39,474	700	1.77
Basic Earnings per Share (Baht)	16.79	16.49	0.30	1.77

Major financial ratios that reflected operating performance of KBank and our subsidiaries in 2016 and 2015 included:

Financial Ratio	(Unit: Percent)		
	2016	2015	Change
Return on Assets (ROA)	1.49	1.60	(0.11)
Return on Equity (ROE)	13.23	14.54	(1.31)
Net Interest Margin (NIM)	3.52	3.67	(0.15)
Non-Interest Income to Average Assets	2.36	2.53	(0.17)
Non-Interest Income Ratio	41.54	42.37	(0.83)
Cost to Income Ratio	41.63	45.19	(3.56)

(Units: Percent)			
Financial Ratio	2016	2015	Change
Net NPLs to Total Loans	1.74	1.36	0.38
Gross NPLs to Total Loans	3.32	2.70	0.62
Coverage Ratio	130.92	129.96	0.96
Loans ¹⁾ to Deposits Ratio	94.58	94.40	0.18
Loans ¹⁾ to Deposits and B/E Ratio	94.57	94.15	0.42
Capital Adequacy Ratio ²⁾	18.84	18.00	0.84
Tier 1 Capital Ratio ²⁾	15.16	14.53	0.63

¹⁾ Loans = Loans to customers less deferred revenue.

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

Net Interest Income

KBank's consolidated net interest income for 2016 was Baht 89,678 million, increasing Baht 4,666 million or 5.49 percent over-year, due to rising interest income from interbank and money market items and falling interest expenses. Our NIM for 2016, therefore, equaled 3.52 percent, lower than the previous year, which was consistent with the declining interest rate trend, but higher than the set target range owing to effective cost of fund management.

(Unit: Million Baht)				
	2016	2015	Change	
			Million Baht	Percent
Interest Income				
Interbank and Money Market Items	5,892	3,897	1,995	51.17
Deposits	364	712	(348)	(48.80)
Loans without Repurchase Agreements	439	643	(204)	(31.75)
Repurchase Agreements	5,089	2,542	2,547	100.13
Investments	15,032	15,173	(141)	(0.93)
Trading Investments	258	319	(61)	(19.16)
Available-for-Sale Investments	2,846	4,724	(1,878)	(39.76)
Held-to-Maturity Investments	11,928	10,130	1,798	17.75
Loans	89,923	90,160	(237)	(0.26)
Finance leases	5,014	5,118	(104)	(2.03)
Others	12	5	7	151.46
Total Interest Income	115,873	114,353	1,520	1.33
Total Interest Expenses	26,195	29,341	(3,146)	(10.72)
Total Interest Income – net	89,678	85,012	4,666	5.49
Yield on Earning Assets (percent)	4.55	4.94		(0.39)
Cost of Fund (percent)	1.32	1.59		(0.27)
Net Interest Margin (NIM) (percent)	3.52	3.67		(0.15)

Non-Interest Income

For 2016, KBank's consolidated non-interest income totaled Baht 63,725 million, increasing Baht 1,222 million, or 1.96 percent over-year. The increase was due mainly to higher net fees and service income in line with continual expansion of the new customer base and revenue from capital market products. In 2016 and 2015, non-interest income of KBank and our subsidiaries

accounted for 41.54 percent and 42.37 percent of total income, respectively. This was in alignment with KBank's goal, wherein non-interest income would be around 40 percent of total income.

(Unit: Million Baht)				
	2016	2015	Change	
			Million Baht	Percent
Non-Interest Income				
Fees and Service Income	48,631	46,413	2,218	4.78
Fees and Service Expenses	9,688	8,887	801	9.01
Fees and Service Income – net	38,943	37,526	1,417	3.78
Gain on Trading and Foreign Exchange Transactions	8,746	8,887	(141)	(1.59)
Loss on Financial Liabilities Designated at Fair Value through				
Profit or Loss	(4)	(6)	2	34.44
Gain on Investments	1,588	785	803	102.17
Share of Profit from Investments using Equity Method	117	96	21	21.76
Dividend Income	1,609	1,346	263	19.60
Net Premiums Earned	94,445	85,380	9,065	10.62
Other Operating Income	2,462	1,528	934	61.13
Less Underwriting Expenses	84,181	73,039	11,142	15.26
Total Non-Interest Income	63,725	62,503	1,222	1.96
Non-Interest Income to Average Assets (percent)	2.36	2.53		(0.17)
Non-Interest Income Ratio (percent)	41.54	42.37		(0.83)
Net Fee Income to Net Total Operating Income Ratio (percent)	25.39	25.44		(0.05)

Other Operating Expenses

KBank's consolidated other operating expenses for 2016 was Baht 63,854 million, falling Baht 2,802 million, or 4.20 percent over-year. The decrease could be attributed mainly to extraordinary expenses for setting the allowance for impairment on application software, amounting to Baht 2,314 million in the previous year.

Our cost to income ratio of 2016, was at 41.63 percent, lower than the 45.19 percent in the previous year, due to the fact that net income increased while expenses reduced. Nonetheless, the cost to income ratio was lower than the set target due to effective cost management and increased operational efficiency.

(Unit: Million Baht)				
	2016	2015	Change	
			Million Baht	Percent
Employee Expenses	30,202	28,929	1,273	4.40
Directors' Remuneration	138	134	4	2.97
Premises and Equipment Expenses	12,434	13,235	(801)	(6.05)
Taxes and Duties	4,476	4,223	253	6.00
Impairment on Application Software	-	2,314	(2,314)	(100.00)
Others	16,604	17,821	(1,217)	(6.83)
Total Other Operating Expenses	63,854	66,656	(2,802)	(4.20)
Cost to Income Ratio (percent)	41.63	45.19		(3.56)

Impairment Loss on Loans and Debt Securities

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

KBank classifies consolidated loans into six categories, in accordance with the Bank of Thailand's regulations. Minimum allowance for doubtful accounts is set according to the loan classification criteria, with period overdue being the key classification criterion. Maximum collateral value, used for calculation of allowance for doubtful accounts, depends on the type of collateral.

KBank's consolidated classified loans and allowance for doubtful accounts, as of December 31, 2016, are shown in the table below:

(Unit: Million Baht)

	Loans and Accrued Interest Receivables	Allowance for Doubtful Accounts	
		% per BOT's Regulations	Total Provision
Normal	1,574,805	1	6,036
Special Mention	43,280	2	220
Sub-Standard	19,110	100	10,259
Doubtful	16,888	100	7,913
Doubtful of Loss	29,267	100	12,705
Loss	-		-
Total	1,683,350		37,133
Revaluation Allowance for Debt Restructuring			2,794
Total			39,927
Excess Allowance			44,963
Credit Balance Transaction	1,949		46
Loans from Life Insurance Business	15,774		276
Total	1,701,073		85,212

As of December 31, 2016, KBank's consolidated allowance for doubtful accounts, comprising allowance for doubtful accounts of customers and financial institutions of Baht 82,418 million and revaluation allowance for debt restructuring of Baht 2,794 million, totaled Baht 85,212 million. This amount was greater than the level required by the Bank of Thailand.

The setting of allowance for doubtful accounts is in accordance with the Bank of Thailand's criteria and requirements as well as our loan analysis and evaluation of each individual debtor's financial status, based on KBank's experience in risk and collateral value assessment.

During 2016, KBank and our subsidiaries set aside impairment loss on loans and debt securities at Baht 33,753 million, an increase of Baht 7,376 million or 27.96 percent over-year to cushion against the slower economic recovery. Thus our credit cost stood at 2.04 percent, higher than 1.68 percent in the previous year.

(Unit: Million Baht)

	2016	2015	Change	
			Million Baht	Percent
Impairment Loss on Loans and Debt Securities	33,753	26,377	7,376	27.96
Credit Cost (percent)	2.04	1.68		0.36

Allowance for Doubtful Accounts and Allowance for Impairment of Assets

As of December 31, 2016, KBank's consolidated allowance for doubtful accounts and revaluation allowance for debt restructuring totaled Baht 85,212 million. This amount was equivalent to 213.42 percent of the level required by the Bank of Thailand.

— Non-Performing Loans and Debt Restructuring

Non-Performing Loans

As of December 31, 2016, KBank's consolidated NPLs stood at Baht 65,087 million, 3.32 percent of the total outstanding credit, including that of financial institutions. Bank-only NPLs totaled Baht 63,018 million, 3.23 percent of the total outstanding credit, including that of financial institutions. The NPL data is shown in the table below:

Non-Performing Loans

(Unit: Million Baht)		
Year Ending	Dec. 31, 2016	Dec. 31, 2015
Consolidated NPLs	65,087	49,490
Percent of total outstanding credit, including that of financial institutions	3.32	2.70
Bank-only NPLs	63,018	47,645
Percent of total outstanding credit, including that of financial institutions	3.23	2.61

Net Non-Performing Loans

As of December 31, 2016, KBank's consolidated net NPLs stood at Baht 33,553 million – 1.74 percent of the total outstanding credit, including that of financial institutions. Bank-only net NPLs totaled Baht 32,727 million – 1.70 percent of the total outstanding credit, including that of financial institutions. The NPL data is shown in the table below:

Net Non-Performing Loans

(Unit: Million Baht)		
Year Ending	Dec. 31, 2016	Dec. 31, 2015
Consolidated net NPLs	33,553	24,586
Percent of total outstanding credit, including that of financial institutions	1.74	1.36
Bank-only net NPLs	32,727	23,679
Percent of total outstanding credit, including that of financial institutions	1.70	1.31

Debt Restructuring

As of December 31, 2016, KBank's consolidated pre-written off, restructured debts totaled Baht 115,055 million, increasing by Baht 46,207 million when compared to 2015. Losses from debt restructuring stood at Baht 2,452 million, representing 2.13 percent of total restructured debts, which was equivalent to an increase of Baht 424 million, compared to Baht 2,028 million in 2015.

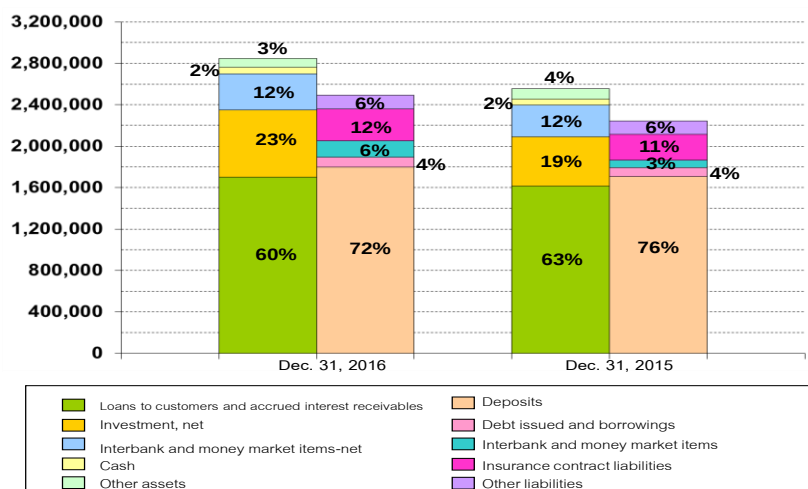
Foreclosed Properties

As of December 31, 2016, our consolidated foreclosed properties had a cost value of Baht 17,361 million, thus being 0.61 percent of total assets, and allowance for impairment on foreclosed properties stood at Baht 1,917 million, equivalent to 11.04 percent of the cost value of those foreclosed properties, which is believed to be sufficient to cover holding, maintenance and disposal expenses, as well as losses on liquidations.

Financial Position Analysis

Assets and Liabilities Structure

(Units: Million Baht)



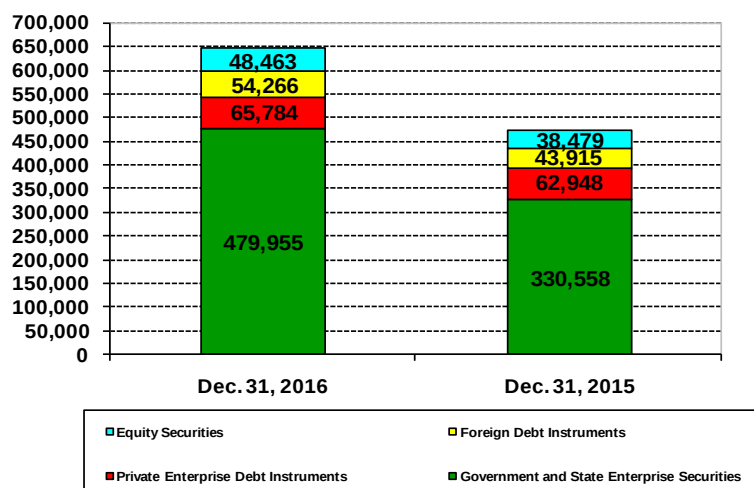
Assets

At the end of 2016, KBank's consolidated assets totaled Baht 2,845,868 million, increasing Baht 290,563 million or 11.37 percent from the end of 2015. The rise was due mainly to increases in net investments, loans to customers and interbank and money market items (assets). In detail:

- Net investments at the end of 2016 totaled Baht 649,598 million, increasing Baht 172,398 million or 36.13 percent from the end of 2015, due mainly to higher investment in government bonds.
- Our consolidated loans (less deferred revenue) at the end of 2016 amounted to Baht 1,697,581 million, increasing by Baht 87,694 million or 5.45 percent from the end of 2015. Loan growth was lower than the set target. Most increases were seen in commercial loan, credit cards, trade finance, as well as housing loan. Our consolidated loans were the fourth-largest among Thai commercial banks.
- Net interbank and money market items (assets) as of the end of 2016 totaled Baht 349,206 million, increased Baht 40,462 million or 13.11 percent from the end of 2015, due mainly to KBank's liquidity management.

Investments in Securities

(Units: Million Baht)



Liabilities and Equity

Our consolidated liabilities, at the end of 2016, amounted to Baht 2,491,956 million, rising Baht 248,864 million or 11.09 percent from the end of 2015. The increase was mainly attributable to increased deposits, interbank and money market items (liabilities), insurance contract liabilities and debts issued and borrowings. Significant changes in our consolidated liabilities included:

- Deposits at the end of 2016 equaled Baht 1,794,835 million, increasing Baht 89,456 million or 5.25 percent from the end of 2015, mainly as a result of increase in saving deposit. KBank's deposits ranked fourth-largest among Thai commercial banks.
- Interbank and money market items (liabilities) at the end of 2016 equaled Baht 160,052 million, rising Baht 88,586 million or 123.96 percent from the end of 2015, due largely to increase in private REPO transactions.
- Insurance contract liabilities at the end of 2016 registered Baht 305,824 million, an increase of Baht 54,377 million or 21.63 percent from the end of 2015, in line with the growth in life insurance business.
- Debt issued and borrowings at the end of 2016 equaled Baht 96,376 million, increasing Baht 10,798 million or 12.62 percent from the end of 2015, which were mainly derived from an issuance of unsubordinated and unsecured debentures.

At the end of 2016, total equity attributable to equity holders of KBank amounted to Baht 321,746 million, rising by Baht 35,946 million or 12.58 percent from the end of 2015, driven largely by net operating profit for 2016 at Baht 40,174 million despite the interim dividend payment from net profit for the first half of 2016 that was made in September 2016, totaling Baht 1,197 million.

Relationship between Sources and Uses of Funds

As of December 31, 2016, the funding structure as shown in the consolidated financial statement comprised Baht 2,491,956 million in liabilities and Baht 353,912 million in total equity, resulting in a debt-to-equity ratio of 7.04. The main source of funds on the liabilities side was deposits, which equaled Baht 1,794,835 million, or 63.07 percent of the total, as of December 31, 2016. Other sources of funds included interbank and money market items as well as debts issued and borrowings, which accounted for 5.62 percent and 3.39 percent of the total, respectively.

KBank's and subsidiaries' major use of funds was loans less deferred revenue, which as of December 31, 2016, amounted to Baht 1,697,581 million, resulting in loans to deposits ratio of 94.58 percent. Meanwhile, loans to deposits and B/E ratio was 94.57 percent. As for the remaining liquidity, KBank invested in various selections of liquid assets, such as interbank and money market items, and investments in securities.

KBank and Subsidiaries' Major Sources and Uses of Funds

(Unit: Million Baht)

Period	Deposits				Loans			
	Dec. 31, 2016	Percent	Dec. 31, 2015	Percent	Dec. 31, 2016	Percent	Dec. 31, 2015	Percent
≤ 1 Year	1,783,984	99.40	1,677,664	98.37	772,897	45.53	747,275	46.42
> 1 - 5 Years	10,851	0.60	27,715	1.63	415,263	24.46	389,124	24.17
> 5 Years	-	-	-	-	509,421	30.01	473,488	29.41
Total	1,794,835	100.00	1,705,379	100.00	1,697,581	100.00	1,609,887	100.00

As of December 31, 2016, deposits with maturities within 1 year were larger than loans with remaining maturities within 1 year. This is considered normal for commercial banks in Thailand, as they normally fund their lending or investments in long-term assets from short-term liabilities. However, since most deposits are renewed upon maturity, it is considered likely that they will remain with KBank longer than their stated contractual term, thereby helping to support funding for KBank's lending.

Change in Cash Flows

As of 31 December 2016, the Bank and its subsidiaries' cash were Baht 60,589 million, increased by Baht 4,363 million from the end of previous year. Net cash provided by and used in activities could be summarised as follows:

- Net cash provided by operating activities were Baht 171,420 million which was mainly from Baht 82,336 million of profit from operating before changes in operating assets and liabilities and changes in significant operating assets and liabilities consisting of Baht 89,853 million of increase in deposits, Baht 89,574 million of increase in interbank and money market items (liabilities) and Baht 59,861 million of increase in other liabilities, while there were Baht 42,645 million of increase in interbank and money market items (assets) and Baht 103,963 million of increase in loans to customers.
- Net cash used in investing activities were Baht 171,973 million which was mainly from Baht 418,836 million of purchase of available-for-sale investments and Baht 90,386 million of purchase held-to-maturity debt instruments, while there were Baht 303,021 million of proceeds from disposal of available-for-sale investments and Baht 40,545 million of proceeds from redemption of held-to-maturity debt instruments.
- Net cash provided by financing activities were Baht 4,913 million which was mainly from Baht 21,579 million of proceeds from long-term debts issued and borrowings, while there were Baht 9,573 million of dividend paid to shareholders and Baht 6,353 million of repayment of long-term debts issued and borrowings.

Contingent Liabilities and Commitments

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

(Unit: Million Baht)

Contingent Liabilities and Commitments	31 Dec 2016	31 Dec 2015	31 Dec 2014
Avals to bills and guarantees of loans	24,406	20,456	24,594
Liability under unmatured import bills	26,173	15,721	13,137
Letters of credit	28,112	26,604	31,142
Other contingencies	590,220	525,784	503,368
Total	668,911	588,565	572,241

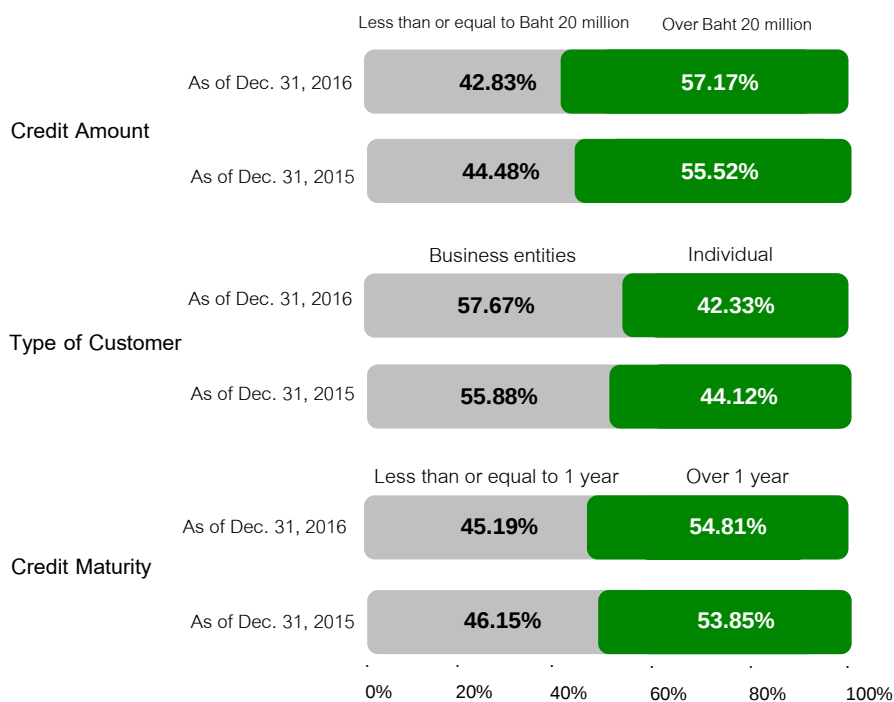
Loans and Deposits

Loans

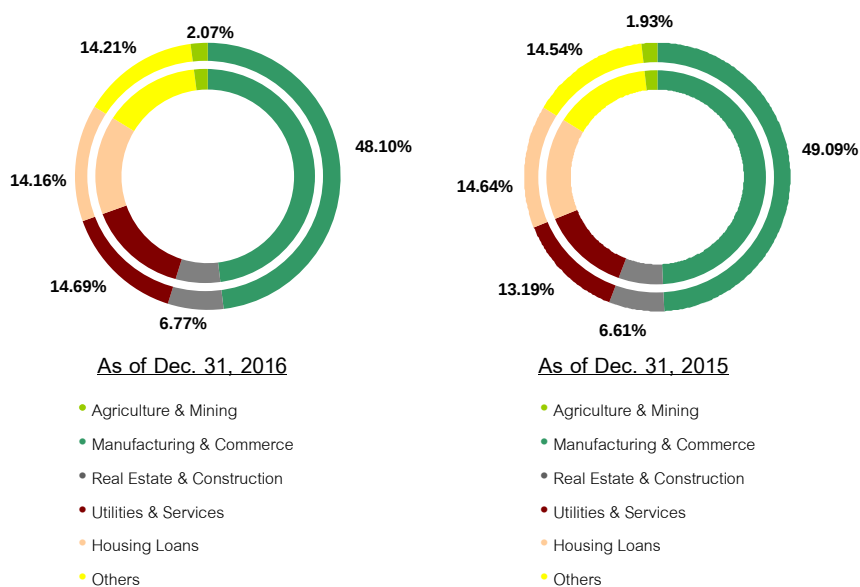
As of December 31, 2016, KBank's consolidated outstanding loans stood at Baht 1,697,581 million, increasing by Baht 87,694 million, or 5.45 percent, compared to Baht 1,609,887 million at the end of 2015.

As of December 31, 2016, 57.67 percent of KBank's outstanding loans were made to juristic persons or registered businesses. Loan account exceeding Baht 20 million totaled Baht 955,754 million, or 57.17 percent of the total; 42.83 percent were loans under Baht 20 million. As for maturities, credit with maturities of less than or equal to one year accounted for 45.19 percent of our total loans.

Loan Portfolio by Credit Amount, Type of Customer and Credit Maturity



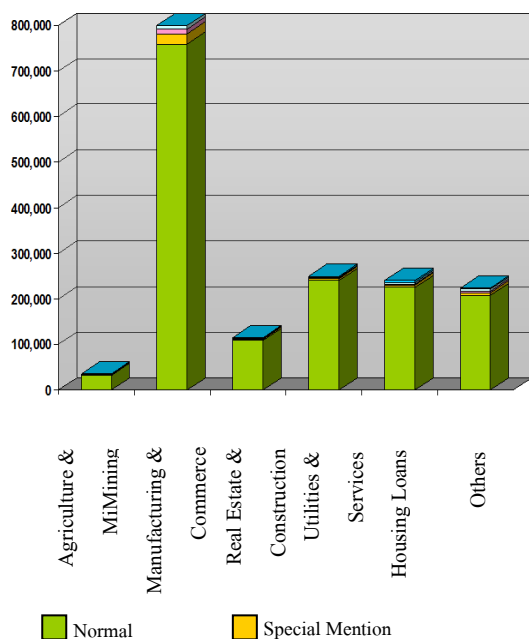
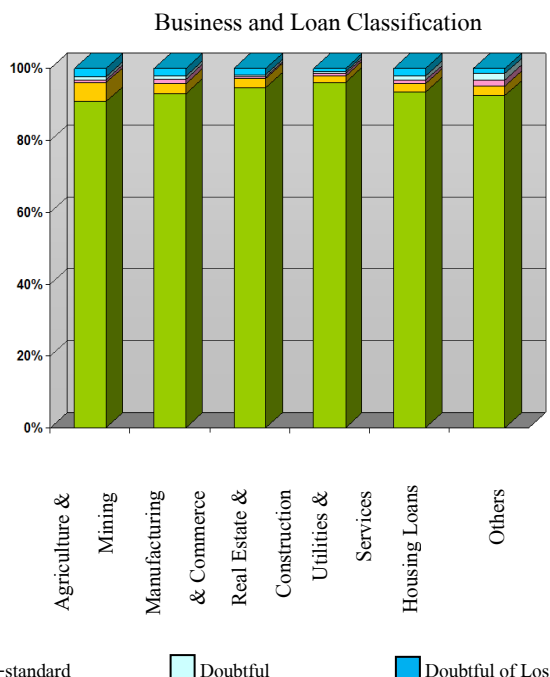
KBank's Consolidated Lending Portfolio



As of Dec. 31, 2016**Consolidated Loans Classified by Type of Business**

Unit: Million

and Loan Classification

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

Within KBank's consolidated lending portfolio, 93.56 percent were classified as "Normal" loans. When sub-divided by type of business, Manufacturing & Commerce represented the highest share of total consolidated lending at 48.09 percent; of that 93.05 percent were classified as "Normal" loans.

Loans Classified by Business

(Unit: Million Baht)

	Dec. 31, 2016		Dec. 31, 2015	
	Corporate Business*	Retail Business**	Corporate Business*	Retail Business**
Loans	1,169,584	428,680	1,085,646	422,400

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

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

Overall, we still maintained our business growth and appropriately met customer needs amid the economic recovery, albeit in certain sectors, in line with our policy to promote our customer competitiveness through building up a business network. As of the end of 2016, our Corporate Business loans (Corporate and SME customers) thus increased by Baht 83,938 million, or 7.73 percent over-year. The increase came from both long and short-term loans granted to our customers, especially commerce, financial institutions and utilities owing to the opening of bid for the government's infrastructure projects and brightening exports as well as thriving tourism.

Our retail loans increased by only Baht 6,280 million, or 1.49 percent, over the end of 2015, due to KBank's cautious credit growth policy, and in alignment with market environment amid current economic slowdown and high household debt. Therefore, we managed to maintain our market leadership in major loan products, with a continued focus on loan quality. Meanwhile, home loans remained our core product. In 2016, marketing events, including online activities, were jointly organized with leading property developer allies both in Bangkok and other provinces, as well as online promotions to expand our customer base, especially potential

clients. For credit card loans, diverse co-branded credit cards were offered along with distinguished marketing campaigns in response to the government's measures and customer needs. At the same time, our personal loans dropped slightly due to lower K-Express Cash though other types of personal loans recorded cautious growth owing to KBank's focus on customer screening policy.

Deposits

Deposits Classified by Type of Deposit Account

(Unit: Million Baht)

	Percent of Total Deposits	Deposits		Changes	
		Dec. 31, 2016	Dec. 31, 2015	Million Baht	Percent
Total Deposits	100.00	1,794,835	1,705,379	89,456	5.25
Current accounts	5.63	100,977	94,038	6,939	7.38
Savings accounts	71.59	1,285,001	1,142,204	142,797	12.50
Fixed-term deposit accounts	22.78	408,857	469,137	(60,280)	(12.85)

At the end of 2016, total deposits – comprising those of Corporate Business and Retail Business – increased by Baht 89,456 million, or 5.25 percent, over the end of 2015. This was due mainly to increased savings accounts per customers' cash management needs. We continued to maintain savings accounts at the highest proportion of total deposits, or 71.59 percent, while fixed-term accounts declined over-year. This was in line with our management of deposits, which were maintained at appropriate levels, taking into account deposit volume and funding cost, in tandem with falling interest rates and demand for loan. We also focused on launch of other investment alternatives with higher returns and risks acceptable by customers.

Treasury Operations

Treasury Operations

During 2016, overnight interbank lending rates were stable at 1.45 percent, p.a., on average. Those steady rates were in line with the key policy rate, which was also steady at 1.50 percent, p.a. throughout the year.

KBank's liquidity position and investment portfolios were managed primarily to cope with future changes in business conditions and in line with the domestic economy as well as money and capital markets both at home and abroad. During 2016, our liquidity position was appropriately managed to efficiently accommodate changes in business conditions and help enhance returns on investments. We made investments from excess liquidity in short-term Thai government bonds to cushion against volatility from the domestic interest rate trend, which was affected by changes in internal and external returns. When market returns were favorable, we shifted to invest in long-term government bonds. In addition, KBank invested in short-term foreign bonds when their returns were more attractive than those of their Thai counterparts, to generate returns within an appropriate risk appetite.

Treasury Operations Income

(Unit: Million Baht)

Income Structure of Treasury Operations (Banking Book)	Percent of Total Income	2016	2015	Change	
				Million Baht	Percent
Interest income					
Interbank and money market items *	62.21	5,557	3,211	2,346	73.06
Investments	37.79	3,375	5,044	(1,669)	(33.09)
Total	100.00	8,932	8,255	677	8.20

Notes: * Including loans

During 2016, total interest income stood at Baht 8,932 million, rising by Baht 677 million, being 8.20 percent higher than in 2015 due to higher liquidity and portfolio adjustment despite lower returns in the market.

Liquid Asset Ratio

KBank maintains average fortnightly current deposits at not lower than 1.00 percent of total deposits and certain types of borrowings in accordance with the Bank of Thailand's regulations. For the fortnight of December 31, 2016, our deposits at the Bank of Thailand and cash at cash center averaged Baht 24,960 million.

Operating Performance of K Companies and Muang Thai Life Assurance PCL

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

(Unit: Million Baht)

	Performance Measurement	2016	2015
KASIKORN ASSET MANAGEMENT CO.,LTD. (KAsset)	Assets under Management	1,240,206	1,131,737
	Market Share (Percent)	19.47	20.45
KASIKORN SECURITIES PCL (KSecurities)	Trading Volume	868,068	859,937
	Market Share (Percent)	3.78	4.40
KASIKORN LEASING CO., LTD. (KLeasing)	Loans	90,696	88,671
KASIKORN FACTORY AND EQUIPMENT CO., LTD. (KF&E)	Loans	14,798	13,397
Muang Thai Life Assurance PCL (MTL)	Net Premiums Earned	97,013	87,880
	Market Share (Percent)	17.07	16.35

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

During 2016, K Companies and Muang Thai Life Assurance PCL (MTL) attained satisfactory qualitative and quantitative operating performance, attributable to the close cooperation between KBank and K Companies, as well as MTL.

KAsset has maintained the number-one position in mutual funds, with a market share of 21.21 percent. Total market share of assets under management (AUM) was 19.47 percent. The excellent performance benefited from its synergy with KBank, as well as product development to match consumers' needs. Notable efforts were: 1) the launch of K Minimum Volatility Quantitative Equity Fund (K-MVEQ), a mutual fund that applies minimum volatility strategy for managing the portfolio; 2) My Port Simulator – a tool for portfolio analysis and management based on customer risk appetite; and 3) Fund Navigator – a tool for funds selection in accordance with investment target. In parallel, we also emphasized expansion of electronic channels and improvement of service quality.

As for KSecurities, emphasis has been placed on development of products and services, especially on research, securities trading services and investment banking, to be more responsive to investor needs and lifestyles. Research papers have been made more timely, in-depth and precise. Along with this, investment technologies that are aligned with investor behavior in the digital era have been introduced. They were 1) KS Super Stock Mobile Application, which was upgraded with an alert function on prices which have been earlier set to enable immediate trading, plus added functions for three-year historical portfolio performance monitoring and analysis, and 2) KS Super Portfolio – a complete function for portfolio analysis and monitoring with portfolio adjustment advisory. Through these endeavors, KSecurities has maintained its market leadership in 2016, with a market share of 3.78 percent.

KLeasing was able to maintain its outstanding loans close to those of 2015, with growth of 2.28 percent, amid the country's domestic auto sales contraction. KLeasing enjoyed solid new loan growth, which was derived mainly from Hire Purchase and Leasing. Asset quality remained healthy with an NPL ratio of 1.65 percent, lower than the banking industry average. Moreover, KLeasing has

continued to improve service quality and introduced new product campaigns to meet customers' needs and offer an excellent service experience to both retail and corporate customers.

KF&E reported over-year loan growth of 10.46 percent, in alignment with the company's 2016 target. Loans were extended to diverse industries nationwide. The company, which specializes in equipment leasing, focused on forging alliances with customers who are machinery dealers. It has also been working with KBank RMs to achieve service excellence with a higher customer satisfaction level.

MTL upheld its leading position in the life insurance business, with the number-one market share in new business premiums at 20.93 percent, and the number-two market share in total premiums at 17.07 percent. The company remained at the forefront in bancassurance, thanks to close cooperation with KBank in developing insurance plans that are suited to KBank customers' needs.

Capital Requirements¹⁾

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

As of the end of 2016, KBank, under the Basel III capital requirements, had capital funds of Baht 325,431 million, consisting of Baht 255,582 million in Tier-1 capital and Baht 69,849 million in Tier-2 capital. The capital adequacy ratio of KBank was 18.17 percent, significantly above the Bank of Thailand's minimum requirement and conservation buffer of 9.125 percent. Details of the capital adequacy ratio of KBank are shown in the following table.

Capital Adequacy Ratio

The Bank

(Unit: Percent)

Capital Adequacy Ratio	Basel III						
	Minimum Requirement & Conservation Buffer ⁴⁾	Dec. 31, 2016	Sep. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Minimum Requirement	Dec. 31, 2015
Tier-1 Capital Ratio ³⁾	6.625	14.27	14.78	13.84	14.00	6.00	13.79
<i>Common Equity Tier-1 Ratio</i>	<i>5.125</i>	<i>14.27</i>	<i>14.78</i>	<i>13.84</i>	<i>14.00</i>	<i>4.50</i>	<i>13.79</i>
Tier-2 Capital Ratio	-	3.90	4.00	3.56	3.62	-	3.60
Capital Adequacy Ratio	9.125	18.17	18.78	17.40	17.62	8.50	17.39

KASIKORNBANK FINANCIAL CONGLOMERATE²⁾

(Unit: Percent)

Capital Adequacy Ratio	Basel III						
	Minimum Requirement & Conservation Buffer⁴⁾	Dec. 31, 2016	Sep. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Minimum Requirement	Dec. 31, 2015
Tier-1 Capital Ratio ³⁾	6.625	15.16	15.69	14.69	14.88	6.00	14.53
<i>Common Equity Tier-1 Ratio</i>	<i>5.125</i>	<i>15.16</i>	<i>15.69</i>	<i>14.69</i>	<i>14.88</i>	<i>4.50</i>	<i>14.53</i>
Tier-2 Capital Ratio	-	3.68	3.77	3.43	3.48	-	3.47
Capital Adequacy Ratio	9.125	18.84	19.46	18.12	18.36	8.50	18.00

Note: ¹⁾ Excluding net profit of each period, which under the Bank of Thailand's regulations, net profit in the first period is to be counted as capital after approval by the Board of Directors per KBank's regulations. Net profit in the second period is also counted as capital after approval of the General Meeting of Shareholders. However, whenever a net loss occurs, the capital must be immediately reduced at the end of period.

²⁾ KASIKORNBANK FINANCIAL CONGLOMERATE means the company under the Notification of the Bank of Thailand Re: Consolidated Supervision, consisting of KASIKORNBANK, K Companies and subsidiaries operating in support of KBank, Phethai Asset Management Co., Ltd. and other subsidiaries within the permitted scope from the Bank of Thailand's to be a financial conglomerate.

³⁾ According to Basel III Capital Requirements, Tier-1 Capital is required to include phase-in or phase-out items at 20 percent p.a. from January 1, 2014, onwards, until reaching 100 percent in 2018.

⁴⁾ Conservation buffer requires an additional Common Equity Tier 1 at 0.625 percent p.a. from January 1, 2016 onwards until reaching 2.50 percent in 2019.

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

During 2016, we continued to implement Value-Based Management (VBM), which is a management practice that aims to achieve the highest value creation for our shareholders in accordance with our business strategies and goals. In achieving this objective, the Risk-Adjusted Return on Capital (RAROC) and Economic Profit (EP) – showing net profit after adjusting for both the risk charge and cost of capital – have been adopted as key measurements.

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

Moreover, we have successfully established ACPM and stress test dashboard to help support related departments to drill down key issues, trend, and key value drivers from bank-wide to customer level.

Credit Ratings

At the end of December 2016, KBank's credit rating given by Moody's Investors Service, and Standard & Poor's remained unchanged from the end of December 2015. However, Fitch Ratings upgraded the National Long-Term Ratings of KBank and eight financial institutions in Thailand. This reflected KBank's standalone credit strengths that have remained unchanged, although Fitch Ratings downgraded Thailand's Long-Term Local Currency, which has led to a narrowing of the gap relative to the sovereign on the national scale rating.

Details are shown in the following table.

KASIKORNBANK's Credit Ratings		
Credit Ratings Agency	Dec. 31, 2016	Dec. 31, 2015
Moody's Investors Service *		
<u>Foreign Currency</u>		
Outlook	Stable	Stable
Long-term - Senior Unsecured Notes	Baa1	Baa1
- Deposit	Baa1	Baa1
- Counterparty Risk Assessments	Baa1(cr)	Baa1(cr)
Short-term - Debt/Deposit	P-2	P-2
- Counterparty Risk Assessments	P-2(cr)	P-2(cr)
Subordinated Debt	Baa3	Baa3
Bank Financial Strength Rating (BFSR)	C-	C-
Outlook for BFSR	Stable	Stable
Baseline Credit Assessment	Baa2	Baa2
<u>Domestic Currency</u>		
Outlook	Stable	Stable
Long-term - Deposit	Baa1	Baa1
Short-term - Debt/Deposit	P-2	P-2
Standard & Poor's *		
<u>Global Scale Ratings</u>		
Outlook	Stable	Stable
Long-term Counterparty Credit Rating	BBB+	BBB+
Long-term Certificate of Deposit	BBB+	BBB+
Short-term Counterparty Credit Rating	A-2	A-2
Short-term Certificate of Deposit	A-2	A-2
Senior Unsecured Notes (Foreign Currency)	BBB+	BBB+
Subordinated Debt (Foreign Currency)	BBB	BBB
<u>ASEAN Regional Scale Ratings</u>		
Long-term	axA+	axA+
Short-term	axA-1	axA-1
Subordinated Debt	axA	axA
Fitch Ratings *		
<u>International Credit Ratings (Foreign Currency)</u>		
Outlook	Stable	Stable
Long-term Issuer Default Rating	BBB+	BBB+
Short-term Issuer Default Rating	F2	F2
Senior Unsecured Notes	BBB+	BBB+
Viability	bbb+	bbb+
Support	2	2
Support Rating Floor	BBB-	BBB-
<u>National Credit Ratings</u>		
Outlook	Stable	Stable
Long-term	AA+(tha)**	AA(tha)

Credit Ratings Agency	Dec. 31, 2016	Dec. 31, 2015
Short-term	F1+(tha)	F1+(tha)
Subordinated Debt (legacy Basel II Tier 2 securities)	AA(thai)**	AA-(tha)
Subordinated Debt (Basel III-compliant Tier 2 securities)	AA(thai)**	AA-(tha)

Note:

- * The base levels for investment grade on long-term credit ratings for Moody's Investors Service, Standard & Poor's, and Fitch Ratings are Baa3, BBB- and BBB-, respectively. For short-term credit ratings, the base levels for investment grade as viewed by these three agencies are P-3, A-3, and F3, respectively.
- ** Fitch Ratings upgraded the National Long-Term Ratings of KBank and eight financial institutions in Thailand. This reflected KBank's standalone credit strengths that have remained unchanged, although Fitch Ratings downgraded Thailand's Long-Term Local Currency, which has led to a narrowing of the gap relative to the sovereign on the national scale rating.