

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 2017, 2016 and 2015.

Summary of Independent Auditor's Report 2017

An auditor expressed an unqualified opinion on the consolidated financial statement and the Bank-only financial statement for the year ended 31 December 2017.

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

KASIKORNBANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

Thousand Baht

	<i>Consolidated</i>		
	31 December		
	2017	2016 (Restated)	2015*
ASSETS			
Cash	67,824,628	60,588,798	56,226,230
Interbank and money market items - net	426,092,013	349,206,519	308,744,496
Claims on security	-	-	1,288
Derivative assets	27,244,293	31,765,140	31,830,604
Investments - net	535,560,461	649,597,727	477,200,035
Investments in subsidiaries and associates - net	845,625	781,163	662,368
Loans to customers and accrued interest receivables - net			
Loans to customers	1,812,356,298	1,707,234,699	1,619,526,585
Accrued interest receivables	3,391,334	3,491,802	3,088,273
Total Loans to customers and accrued interest receivables	1,815,747,632	1,710,726,501	1,622,614,858
Less Deferred revenue	(9,573,329)	(9,653,955)	(9,639,590)
Less Allowance for doubtful accounts	(101,983,438)	(82,418,056)	(60,901,538)
Less Revaluation allowance for debt restructuring	(1,450,842)	(2,793,966)	(3,415,769)
Total Loans to customers and accrued interest receivables - net	1,702,740,023	1,615,860,524	1,548,657,961
Customers' liability under acceptances	-	-	130,862
Properties foreclosed - net	17,444,121	15,443,877	14,196,584
Premises and equipment - net	50,136,653	49,727,867	45,284,434
Goodwill and other intangible assets - net	24,588,621	23,969,609	24,234,227
Deferred tax assets	5,033,040	4,572,254	5,584,612
Collateral per credit support annex	3,128,023	9,793,335	13,861,552
Other assets - net	40,203,273	31,971,665	28,690,119
Total Assets	2,900,840,774	2,843,278,478	2,555,305,372

KASIKORNBANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION (Continued)

Thousand Baht

	<i>Consolidated</i>		
	31 December		
	2017	2016 (Restated)	2015*
LIABILITIES AND EQUITY			
Deposits	1,878,672,037	1,794,835,096	1,705,379,017
Interbank and money market items	69,288,567	160,052,342	71,465,737
Liabilities payable on demand	21,248,002	19,845,973	23,545,166
Liabilities to deliver security	-	-	121,282
Financial liabilities designated at fair value through profit or loss	-	-	38,890
Derivative liabilities	25,401,388	31,629,510	33,570,889
Debts issued and borrowings	70,575,042	96,375,833	85,577,772
Bank's liability under acceptances	-	-	130,862
Provisions	25,399,890	22,494,499	21,586,936
Deferred tax liabilities	1,905,946	1,806,825	1,907,000
Insurance contract liabilities	363,514,612	305,823,756	251,447,597
Other liabilities	57,012,995	56,503,051	48,321,275
Total Liabilities	2,513,018,479	2,489,366,885	2,243,092,423
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	22,272,886	19,786,356	14,843,155
Retained earnings			
Appropriated			
Legal reserve	3,050,000	3,050,000	3,050,000
Unappropriated	281,266,529	256,874,044	225,870,851
Total Equity attributable to equity holders of the Bank	348,625,127	321,746,112	285,799,718
Non-controlling interests	39,197,168	32,165,481	26,413,231
Total Equity	387,822,295	353,911,593	312,212,949
Total Liabilities and Equity	2,900,840,774	2,843,278,478	2,555,305,372

KASIKORNBANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

Thousand Baht

	<i>The Bank</i>		
	31 December		
	2017	2016 (Restated)	2015*
ASSETS			
Cash	67,787,380	60,541,754	56,203,527
Interbank and money market items - net	402,170,407	338,192,122	298,523,171
Derivative assets	26,968,912	32,026,598	32,513,462
Investments - net	146,556,016	320,870,527	213,198,650
Investments in subsidiaries and associates - net	28,626,861	15,438,978	14,475,750
Loans to customers and accrued interest receivables - net			
Loans to customers	1,763,235,477	1,672,246,136	1,588,064,981
Accrued interest receivables	2,854,752	3,052,902	2,706,922
Total Loans to customers and accrued interest receivables	1,766,090,229	1,675,299,038	1,590,771,903
Less Deferred revenue	(269,948)	(339,057)	(293,927)
Less Allowance for doubtful accounts	(98,647,092)	(79,920,653)	(59,135,674)
Less Revaluation allowance for debt restructuring	(1,438,533)	(2,793,966)	(3,415,756)
Total Loans to customers and accrued interest receivables - net	1,665,734,656	1,592,245,362	1,527,926,546
Customers' liability under acceptances	-	-	130,862
Properties foreclosed - net	17,341,587	15,283,129	13,865,038
Premises and equipment - net	40,382,757	41,052,028	36,850,925
Goodwill and other intangible assets - net	19,040,818	19,016,854	19,538,162
Deferred tax assets	4,311,438	3,835,422	4,614,921
Collateral per credit support annex	3,128,023	9,793,335	13,861,552
Other assets - net	22,775,208	16,373,658	16,564,302
Total Assets	2,444,824,063	2,464,669,767	2,248,266,868

KASIKORNBANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION (Continued)

Thousand Baht

	<i>The Bank</i>		
	31 December		
	2017	2016 (Restated)	2015*
LIABILITIES AND EQUITY			
Deposits	1,875,729,451	1,798,440,168	1,708,593,777
Interbank and money market items	82,253,026	169,508,323	81,844,870
Liabilities payable on demand	21,248,002	19,845,973	23,544,465
Financial liabilities designated at fair value through profit or loss	-	-	38,890
Derivative liabilities	25,396,449	30,015,390	31,703,137
Debts issued and borrowings	70,309,396	96,208,164	85,382,126
Bank's liability under acceptances	-	-	130,862
Provisions	23,946,396	21,323,796	20,767,651
Other liabilities	31,623,323	34,978,940	32,307,029
Total Liabilities	2,130,506,043	2,170,320,754	1,984,312,807
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	17,701,831	16,952,416	12,924,550
Retained earnings			
Appropriated			
Legal reserve	3,050,000	3,050,000	3,050,000
Unappropriated	251,530,477	232,310,885	205,943,799
Total Equity attributable to equity holders of the Bank	314,318,020	294,349,013	263,954,061
Total Liabilities and Equity	2,444,824,063	2,464,669,767	2,248,266,868

* The Bank and its subsidiaries did not present a restated financial statement as at 31 December 2015 for the change in accounting policy, as the impact of the change in accounting policy does not materially affect total assets, total liabilities and total equity of the Bank and its subsidiaries as previously reported.

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

Thousand Baht

	<i>Consolidated</i>		
	For the year ended 31 December		
	2017	2016	2015
Interest income	119,337,280	115,872,881	114,353,841
Interest expenses	25,176,274	26,195,093	29,341,410
Interest income - net	94,161,006	89,677,788	85,012,431
Fees and service income	51,757,099	48,631,263	46,412,952
Fees and service expenses	10,451,160	9,687,936	8,886,896
Fees and service income - net	41,305,939	38,943,327	37,526,056
Gain on trading and foreign exchange transactions	8,410,508	8,746,212	8,887,147
Loss on financial liabilities designated at fair value through profit or loss	(1,543)	(4,175)	(6,368)
Gain on investments	3,490,719	1,587,638	785,314
Share of profit from investments using equity method	157,553	116,696	95,841
Dividend income	1,990,986	1,609,208	1,345,526
Net premiums earned	99,786,124	94,445,248	85,380,326
Other operating income	1,405,295	2,462,467	1,528,274
Total operating income	250,706,587	237,584,409	220,554,547
Underwriting expenses	93,850,368	84,181,733	73,039,421
Total operating income - net	156,856,219	153,402,676	147,515,126
Other operating expenses			
Employee's expenses	31,007,961	30,201,493	28,928,689
Directors' remuneration	139,813	138,415	134,424
Premises and equipment expenses	12,917,437	12,433,822	13,234,826
Taxes and duties	4,524,725	4,476,461	4,222,929
Impairment on application software and related expense	-	-	2,314,508
Others	17,782,014	16,604,189	17,820,771
Total other operating expenses	66,371,950	63,854,380	66,656,147
Impairment loss on loans and debt securities	41,810,044	33,752,607	26,377,292
Operating profit before income tax expense	48,674,225	55,795,689	54,481,687
Income tax expense	9,027,754	10,455,952	10,527,123
Net profit	39,646,471	45,339,737	43,954,564

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

Thousand Baht

	<i>Consolidated</i>		
	For the year ended 31 December		
	2017	2016	2015
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss			
Gain (loss) on remeasurement of available-for-sale investments	4,963,142	3,549,524	(1,896,026)
Gain (loss) arising from translating the financial statements of a foreign operation	349,245	(110,666)	(285,465)
Income taxes relating to components of other comprehensive income	(988,680)	(734,209)	348,510
Items that will not be reclassified subsequently to profit or loss			
Changes in revaluation surplus	1,245,067	4,660,080	-
Actuarial (loss) gain on defined benefit plans	(712,071)	329,389	(420,259)
Income taxes relating to components of other comprehensive income	(106,166)	(997,894)	75,032
Total other comprehensive income	4,750,537	6,696,224	(2,178,208)
Total comprehensive income	44,397,008	52,035,961	41,776,356
Net profit attributable to :			
Equity holders of the Bank	34,338,246	40,174,100	39,473,635
Non-controlling interests	5,308,225	5,165,637	4,480,929
Total comprehensive income attributable to :			
Equity holders of the Bank	36,429,885	45,537,588	38,311,307
Non-controlling interests	7,967,123	6,498,373	3,465,049
Earnings per share of equity holders of the Bank			
Basic earnings per share (Baht)	14.35	16.79	16.49
Weighted average number of common shares (Thousand shares)	2,393,260	2,393,260	2,393,260

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

Thousand Baht

	<i>The Bank</i>		
	For the year ended 31 December		
	2017	2016	2015
Interest income	101,477,204	100,509,100	101,107,572
Interest expenses	25,121,148	26,137,839	29,227,968
Interest income - net	76,356,056	74,371,261	71,879,604
Fees and service income	49,693,027	48,092,898	47,061,082
Fees and service expenses	9,997,537	9,480,157	8,844,143
Fees and service income - net	39,695,490	38,612,741	38,216,939
Gain on trading and foreign exchange transactions	8,403,927	8,574,495	8,592,024
Loss on financial liabilities designated at fair value through profit or loss	(1,543)	(4,175)	(6,368)
Gain on investments	2,325,606	1,020,290	358,114
Dividend income	3,854,412	3,671,519	2,543,939
Other operating income	3,219,991	5,560,373	5,115,474
Total operating income	133,853,939	131,806,504	126,699,726
Other operating expenses			
Employee's expenses	23,020,704	22,357,662	22,281,198
Directors' remuneration	88,083	89,637	85,759
Premises and equipment expenses	12,762,507	12,468,570	13,023,333
Taxes and duties	3,995,905	4,018,372	3,832,944
Impairment on application software and related expense	-	-	2,314,508
Others	17,775,393	16,968,457	17,255,578
Total other operating expenses	57,642,592	55,902,698	58,793,320
Impairment loss on loans and debt securities	41,101,342	32,931,330	25,767,764
Operating profit before income tax expense	35,110,005	42,972,476	42,138,642
Income tax expense	5,923,348	7,458,130	7,737,985
Net profit	29,186,657	35,514,346	34,400,657

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

Thousand Baht

	<i>The Bank</i>		
	For the year ended 31 December		
	2017	2016	2015
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss			
Gain on remeasurement of available-for-sale investments	845,493	775,014	202,179
Gain (Loss) arising from translating the financial statements of a foreign operation	203,653	(118,895)	(258,858)
Income taxes relating to components of other comprehensive income	(150,769)	(201,686)	(41,050)
Items that will not be reclassified subsequently to profit or loss			
Changes in revaluation surplus	-	4,660,080	-
Actuarial (loss) gain on defined benefit plans	(678,733)	331,826	(272,976)
Income taxes relating to components of other comprehensive income	135,747	(998,381)	54,596
Total other comprehensive income	355,391	4,447,958	(316,109)
Total comprehensive income	29,542,048	39,962,304	34,084,548
Earnings per share of equity holders of the Bank			
Basic earnings per share (Baht)	12.20	14.84	14.37
Weighted average number of common shares (Thousand shares)	2,393,260	2,393,260	2,393,260

KASIKORNBANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS

Thousand Baht

	<i>Consolidated</i>		
	For the year ended 31 December		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit before income tax expense	48,674,225	55,795,689	54,481,687
Adjustments for			
Depreciation and amortisation	7,333,203	7,263,908	6,732,328
Bad debt and doubtful accounts	40,022,144	32,323,027	24,827,714
Loss on debt restructuring	2,997,811	2,276,963	2,005,975
Interest income from amortisation of revaluation allowance for debt restructuring	(1,046,005)	(1,225,469)	(599,353)
Loss (Gain) on foreign exchange translation of long-term borrowings	257,426	5,220	(11,793)
(Gain) Loss on revaluation of trading investments	(111,350)	(32,497)	19,535
(Reversal of loss) Loss on impairment of investments	(53,858)	(59,483)	86,189
Gain on disposal of investments securities	(3,435,057)	(1,587,273)	(815,304)
Gain on disposal of investments in associated companies	(1,889)	(366)	(277)
Loss on impairment of properties foreclosed	677,208	292,080	626,279
Loss on impairment of premises and equipment	471,848	332,496	-
Loss on impairment on application software	-	-	2,314,508
Provision for other assets	237,151	356,007	1,275,512
Gain on disposal of premises and equipment	(59,373)	(1,700)	(13,347)
Loss on write off of premises and equipment	144,161	104,834	69,659
Loss on write off of other assets	117,227	300,135	82,418
Reversal of loss on revaluation of premises	(10,612)	(109,729)	-
Share of profit from investments using equity method	(157,553)	(116,696)	(95,841)
	96,056,707	95,917,146	90,985,889
Interest income - net	(94,161,006)	(89,677,788)	(85,012,431)
Dividend income	(1,990,986)	(1,609,208)	(1,345,526)
Proceeds from interest	116,526,593	113,155,441	114,059,219
Interest paid	(25,163,012)	(26,580,779)	(29,448,808)
Proceeds from dividends	2,035,520	1,644,458	1,370,546
Income tax paid	(11,638,743)	(10,512,977)	(13,172,444)
Operating profit before changes in operating assets and liabilities	81,665,073	82,336,293	77,436,445

KASIKORNBANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS (Continued)

Thousand Baht

	<i>Consolidated</i>		
	For the year ended 31 December		
	2017	2016	2015
(Increase) Decrease in operating assets			
Interbank and money market items (assets)	(83,229,124)	(42,644,690)	(166,887,483)
Investments held for trading	(10,232,741)	(1,715,841)	10,234,910
Loans to customers	(136,330,285)	(103,963,050)	(101,387,845)
Properties foreclosed	2,236,770	2,906,064	2,868,779
Other assets	4,171,372	1,586,384	(16,593,387)
Increase (Decrease) in operating liabilities			
Deposits	83,969,885	89,853,228	75,056,203
Interbank and money market items (liabilities)	(88,928,202)	89,574,361	(6,672,877)
Liabilities payable on demand	1,402,009	(3,699,193)	6,201,882
Financial liabilities designated at fair value through profit or loss	-	(38,890)	38,890
Short-term debts issued and borrowings	93,081	(4,350,493)	(4,770,506)
Other accrued expenses	290,807	483,038	(278,542)
Provisions	2,193,407	1,236,984	1,415,376
Other liabilities	54,162,513	59,855,723	60,253,754
Net cash (used in) provided by operating activities	(88,535,435)	171,419,918	(63,084,401)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of available-for-sale investments	385,136,864	303,021,210	361,462,052
Proceeds from redemption of held-to-maturity debt instruments	53,387,775	40,545,072	59,758,824
Proceeds from disposal of general investments	82,561	987,815	1,150,716
Proceeds from disposal of investments in associated companies	8,119	1,320	1,457
Purchase of available-for-sale investments	(209,451,433)	(418,835,661)	(233,752,869)
Purchase of held-to-maturity debt instruments	(93,015,008)	(90,385,599)	(107,841,311)
Purchase of general investments	(729,867)	(188,816)	(1,077,351)
Purchase of investments in associated companies	(8,533)	(51,575)	(139,478)
Proceeds from disposal of premises and equipment	130,863	11,547	18,755
Purchase of premises and equipment	(4,106,739)	(4,010,169)	(4,407,975)
Purchase of leasehold	(75,607)	(132,501)	(316,882)
Purchase of intangible assets	(3,498,982)	(2,935,290)	(3,083,424)
Net cash provided by (used in) investing activities	127,860,013	(171,972,647)	71,772,514

KASIKORNBANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS (Continued)

Thousand Baht

	<i>Consolidated</i>		
	For the year ended 31 December		
	2017	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term debts issued and borrowings	470,360	21,578,690	7,282,361
Repayment of long-term debts issued and borrowings	(22,065,869)	(6,353,019)	(7,500,000)
Proceeds from acquisition of non-controlling interests	75,001	-	-
Dividend paid to shareholders	(9,573,041)	(9,573,040)	(9,573,041)
Dividend paid to non-controlling interests	(988,985)	(739,753)	(678,433)
Net cash (used in) provided by financing activities	(32,082,534)	4,912,878	(10,469,113)
Effect of exchange rate changes on balances held in foreign currencies at the end of the year	(6,214)	2,419	1,580
Net increase (decrease) in cash	7,235,830	4,362,568	(1,779,420)
Cash at the beginning of the year	60,588,798	56,226,230	58,005,650
Cash at the end of the year	67,824,628	60,588,798	56,226,230

KASIKORNBANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS

Thousand Baht

	<i>The Bank</i>		
	For the year ended 31 December		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit before income tax expense	35,110,005	42,972,476	42,138,642
Adjustments for			
Depreciation and amortisation	6,501,442	6,549,209	6,092,677
Bad debt and doubtful accounts	39,192,832	31,339,347	24,158,650
Loss on debt restructuring	2,987,135	2,276,963	2,005,975
Interest income from amortisation of revaluation allowance for debt restructuring	(1,040,365)	(1,225,456)	(599,348)
Loss (Gain) on foreign exchange translation of long-term borrowings	257,426	5,220	(11,793)
(Gain) Loss on revaluation of trading investments	(18,139)	18,609	(4,729)
Reversal of loss on impairment of investments	(143,858)	(171,719)	(561)
Gain on disposal of investments securities	(2,265,289)	(819,868)	(358,114)
Loss (Gain) on liquidation and redemption of subsidiaries	83,457	(28,703)	-
Loss on impairment of properties foreclosed	710,825	362,905	629,812
Loss on impairment of premises and equipment	471,848	332,496	-
Loss on impairment on application software	-	-	2,314,508
Provision for other assets	237,122	356,007	1,275,512
Gain on disposal of premises and equipment	(59,236)	(1,805)	(5,608)
Loss on write off of premises and equipment	135,707	96,332	62,807
Loss on write off of other assets	117,811	300,135	82,418
Reversal of loss on revaluation of premises	-	(109,729)	-
	82,278,723	82,252,419	77,780,848
Interest income - net	(76,356,056)	(74,371,261)	(71,879,604)
Dividend income	(3,854,412)	(3,671,519)	(2,543,939)
Proceeds from interest	99,175,975	98,175,858	100,517,639
Interest paid	(25,296,569)	(26,525,561)	(29,353,757)
Proceeds from dividends	3,852,737	3,691,713	2,524,258
Income tax paid	(7,870,949)	(7,368,507)	(10,154,635)
Operating profit before changes in operating assets and liabilities	71,929,449	72,183,142	66,890,810

KASIKORNBANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS (Continued)

Thousand Baht

	<i>The Bank</i>		
	For the year ended 31 December		
	2017	2016	2015
(Increase) Decrease in operating assets			
Interbank and money market items (assets)	(70,369,787)	(41,806,638)	(166,970,168)
Investments held for trading	(7,576,735)	(195,182)	9,988,900
Loans to customers	(121,912,862)	(99,949,606)	(95,317,906)
Properties foreclosed	1,771,482	2,489,455	2,408,299
Other assets	6,042,229	5,020,768	(16,172,922)
Increase (Decrease) in operating liabilities			
Deposits	77,458,169	90,241,165	75,933,652
Interbank and money market items (liabilities)	(85,497,050)	88,671,162	(5,324,672)
Liabilities payable on demand	1,402,009	(3,698,492)	6,201,181
Financial liabilities designated at fair value through profit or loss	-	(38,890)	38,890
Short-term debts issued and borrowings	(4,896)	(4,322,516)	(4,823,334)
Other accrued expenses	152,138	81,554	(660,761)
Provisions	1,943,954	888,003	1,332,224
Other liabilities	(4,482,029)	941,328	11,316,144
Net cash (used in) provided by operating activities	(129,143,929)	110,505,253	(115,159,663)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of available-for-sale investments	353,154,661	283,704,296	353,515,282
Proceeds from redemption of held-to-maturity debt instruments	47,231,800	36,218,606	57,267,062
Proceeds from disposal of general investments	77,731	984,267	1,139,850
Proceeds from capital decrease in subsidiaries	240,000	190,000	200,000
Proceeds from liquidation and redemption of subsidiaries	677,491	4,530,660	-
Purchase of available-for-sale investments	(176,184,451)	(396,240,462)	(216,566,723)
Purchase of held-to-maturity debt instruments	(36,059,140)	(29,869,676)	(64,108,150)
Purchase of general investments	(688,687)	(1,000)	(1,077,351)
Purchase of investments in subsidiaries	(14,806,184)	(5,498,272)	(780,948)
Purchase of investments in associated companies	(8,533)	-	(23,132)
Proceeds from disposal of premises and equipment	128,494	6,041	8,266
Purchase of premises and equipment	(3,593,770)	(3,197,809)	(3,495,834)
Purchase of leasehold	(12,197)	(109,543)	(271,725)
Purchase of intangible assets	(2,597,901)	(2,537,257)	(2,649,984)
Net cash provided by (used in) investing activities	167,559,314	(111,820,149)	123,156,613

KASIKORNBANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS (Continued)

Thousand Baht

	<i>The Bank</i>		
	For the year ended 31 December		
	2017	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term debts issued and borrowings	470,360	21,578,690	7,282,360
Repayment of long-term debts issued and borrowings	(22,065,869)	(6,353,019)	(7,500,000)
Dividend paid to shareholders	(9,573,041)	(9,573,040)	(9,573,041)
Net cash (used in) provided by financing activities	(31,168,550)	5,652,631	(9,790,681)
Effect of exchange rate changes on balances held in foreign currencies at the end of the year	(1,209)	492	5
Net increase (decrease) in cash	7,245,626	4,338,227	(1,793,726)
Cash at the beginning of the year	60,541,754	56,203,527	57,997,253
Cash at the end of the year	67,787,380	60,541,754	56,203,527

KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

FINANCIAL RATIO

(Units: Percent)

Financial Ratio	Consolidated Financial Statements		
	2015	2016	2017
Profitability Ratio			
Gross Profit Margin ^(A)	76.2	78.2	79.2
Net Profit Margin	26.8	26.2	21.9
Return on Equity	14.5	13.2	10.2
Yield ^(B)	4.9	4.5	4.4
Cost of Funds ^(C)	1.6	1.3	1.2
Spread	3.3	3.2	3.1
Return on Investment	3.1	2.9	3.4
Efficiency Ratio			
Net Interest Margin ^(D)	3.4	3.3	3.3
Return on Assets	1.6	1.5	1.2
Asset Turnover Ratio (times)	0.06	0.06	0.05
Financial Ratio			
Liabilities to Equity (times)	7.8	7.7	7.2
Loans to Borrowing	88.7	88.8	91.5
Loans to Deposits	94.4	94.6	96.0
Deposits to Liabilities	76.0	72.0	74.8
Dividend Payout Ratio	27.8	27.0	n.a.
Capital Adequacy Ratio	18.0	18.8	18.0
Asset Quality Ratio			
Allowances for Doubtful Accounts to Loans	4.0	5.0	5.7
Bad Debts to Loans	0.6	0.6	1.0
Non-Performing Loans to Total Loans ^(E)	2.7	3.3	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 crit

14. Management Discussion and Analysis

In 2017, Thai economic growth gained traction, buoyed by strong recoveries in tourism and exports. This growth momentum is expected to carry on into 2018, especially amid a brighter outlook in public and private investment. Nonetheless, the business sector remained challenged by new modes of competition in a broader marketplace amid the advancing digital age and its rapid pace of technological advancement. Businesses have also had to cope with Thai Baht volatility and international capital movements. Within this context, KBank has accentuated enhancement of our business capabilities to achieve sustainable growth and maintain our market leadership over the long term. Guided by our core strategies of “Customer Centricity”, KBank has decided to redefine our aspiration to become “Customers’ Life Platform of Choice”, meaning the most-preferred platform that can meet customers’ needs in every aspect of their lives by leveraging our strengths as Thailand’s number-one digital banking provider and enhancing our services under three-pronged approach: Beyond Banking; Embedded Trust; and, Everyone, Every day, Every way and Everywhere. To this end, we have set our sights on providing all customers with services beyond their expectations to become their trust agent and stay relevant to their daily lives, fulfilling their everyday needs, anywhere, anytime, with an unsurpassed service experience.

Being aligned with our business strategies for 2017, KBank and subsidiaries thus reported Baht 90,484 million in operating profit before provision expense and income tax expense, rising Baht 935 million, or 1.05 percent, over-year. The increase was derived from net interest income that rose Baht 4,483 million, or 5.00 percent, which came mainly from rising interest income from investments and interest income from interbank and money market items, as well as falling interest expenses. Meanwhile, non-interest income decreased Baht 1,030 million or 1.62 percent, due mainly to a decline in net insurance premiums. At the same time, operating expenses rose Baht 2,518 million, or 3.94 percent, over-year. Moreover, KBank has set aside higher allowance for impairment loss on loans to maintain our financial position stability. Therefore, our net profit for 2017 totaled Baht 34,338 million, a decrease of Baht 5,836 million, or 14.53 percent.

Meanwhile, KBank maintained net interest margin (NIM) at 3.44 percent, which was within the set target, and cost-to-income ratio was also close to the target of 42.31 percent. At the same time, our robust capital position was sufficient to cushion against risk, and greater than the Bank of Thailand’s requirement. As evidenced, capital adequacy ratio (CAR) of KASIKORNBANK FINANCIAL CONGLOMERATE (the Conglomerate) according to the Basel III Accord was 17.96 percent, with a Tier 1 capital ratio of 15.66 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. saw satisfactory lending business volume in line with the overall domestic automotive industry while also maintaining healthy asset quality. KASIKORN FACTORY & EQUIPMENT CO., LTD. reported higher loan growth than the company’s target. In addition, Muang Thai Life Assurance PCL retained its leadership in the bancassurance business, holding the largest market share in new business premiums.

All of the above endeavors and satisfactory operating performance, together with sound corporate governance, allowed KBank and K Companies to meet business targets as we gained wide acceptance and recognition at home and abroad, as reflected in the numerous awards we received in 2017.

Under our redefined strategies for the next three years, KBank aspires to become “Customers’ Life Platform of Choice”. We will thus work with our partners, both domestic and international, to create ecosystem partnership collaboration under the “KASIKORNBANK and Beyond” concept. Moreover, under the “Segment of One” concept, we focus on strengthening our capabilities by using data and advanced technology to understand and anticipate each individual customer’s need and provide smart personalized “Financial and Life Solutions” to the right customer at the right time. We continue our endeavor to deliver an excellent customer experience with ever-greater consideration of consumer protection and customer privacy, taking into account the changing customer expectations for greater convenience and speediness over omni-channel.

Beyond the above strategies, we focus on proactive integrated risk management (IRM), effective capital management and creation of a culture of risk awareness organization-wide. All these efforts are aimed at maintaining KBank’s stability as a leading financial institution, enabling us to cope with possible economic fluctuations in a timely manner.

Operating Performance

KBank’s consolidated operating profit before provision expense and income tax expense for 2017 increased Baht 935 million, or 1.05 percent over-year. The increase was derived from net interest income that rose Baht 4,483 million, or 5.00 percent, which mainly resulted from rising interest income from investments and interest income from interbank and money market items, as well as falling interest expenses. Meanwhile, non-interest income decreased Baht 1,030 million or 1.62 percent, due mainly to a decline in net insurance premiums. At the same time, operating expenses rose Baht 2,518 million, or 3.94 percent, over-year. In 2017, KBank has set aside higher allowance for impairment loss on loans to maintain our financial stability. Therefore, our net profit for 2017 totaled Baht 34,338 million, a decrease of Baht 5,836 million, or 14.53 percent over-year.

Operating Performance for 2017

(Unit: Million Baht)

	2017	2016	Change	
			Million Baht	Percent
Net Interest Income	94,161	89,678	4,483	5.00
Non-Interest Income	62,695	63,725	(1,030)	(1.62)
Total Operating Income - net	156,856	153,403	3,453	2.25
Total Other Operating Expenses	66,372	63,854	2,518	3.94
Impairment Loss on Loans and Debt Securities	41,810	33,753	8,057	23.87
Net Profit (attributable to equity holders of KBank)	34,338	40,174	(5,836)	(14.53)
Basic Earnings per Share (Baht)	14.35	16.79	(2.44)	(14.53)

Major financial ratios that reflected operating performance of KBank and our subsidiaries in 2017 and 2016 are as follows:

(Unit: Percent)

Financial Ratio	2017	2016	Change
Return on Assets (ROA)	1.20	1.49	(0.29)
Return on Equity (ROE)	10.24	13.23	(2.99)
Net Interest Margin (NIM)	3.44	3.52	(0.08)
Non-Interest Income to Average Assets	2.18	2.36	(0.18)
Non-Interest Income Ratio	39.97	41.54	(1.57)
Cost to Income Ratio	42.31	41.63	0.68

(Unit: Percent)

Financial Ratio	2017	2016	Change
Net NPLs to Total Loans	1.85	1.74	0.12
Gross NPLs to Total Loans	3.30	3.32	(0.02)
Coverage Ratio	148.45	130.92	17.53
Loans ¹⁾ to Deposits Ratio	95.96	94.58	1.38
Loans ¹⁾ to Deposits and B/E Ratio	95.96	94.57	1.39
Capital Adequacy Ratio ²⁾	17.96	18.84	(0.88)
Tier 1 Capital Ratio ²⁾	15.66	15.16	0.50

¹⁾ Loans refer to 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 2017 was Baht 94,161 million, increasing Baht 4,483 million or 5.00 percent over-year, due mainly to rising interest income from investments and interest income from interbank and money market items. Meanwhile, interest expenses decreased due to early redemption of subordinated debentures of KASIKORNBANK PCL No.1/2012 in the first quarter of 2017 and a decline in average deposit rates. Our NIM for 2017 equaled 3.44 percent, lower than the previous year, which was in line with the declining interest rate trend, but still close to the set target owing to effective cost of fund management.

(Unit: Million Baht)

	2017	2016	Change	
			Million Baht	Percent
Interest Income				
Interbank and Money Market Items	7,011	5,892	1,119	18.99
Deposits	1,068	364	704	192.92
Loans without Repurchase Agreements	483	439	44	9.96
Repurchase Agreements	5,460	5,089	371	7.31
Investments	16,820	15,032	1,788	1,190
Trading Investments	262	258	4	1.65
Available-for-Sale Investments	2,719	2,846	(127)	(4.44)
Held-to-Maturity Investments	13,839	11,928	1,911	16.02
Loans	90,434	89,923	511	0.57
Finance leases	5,059	5,014	45	0.90
Others	13	12	1	7.89
Total Interest Income	119,337	115,873	3,464	2.99
Total Interest Expenses	25,176	26,195	(1,019)	(3.89)
Total Interest Income – net	94,161	89,678	4,483	5.00
Yield on Earning Assets (percent)	4.37	4.55		(0.18)
Cost of Fund (percent)	1.22	1.32		(0.10)
Net Interest Margin (NIM) (percent)	3.44	3.52		(0.08)

Non-Interest Income

For 2017, KBank's consolidated non-interest income totaled Baht 62,695 million, decreasing Baht 1,030 million, or 1.62 percent over-year. The increase was due mainly to lower net insurance premiums. Meanwhile, net fees and service income rose in line with continual expansion of the new customer base and revenue from capital market products. In 2017 and 2016, non-interest income of KBank and our subsidiaries accounted for 39.97 percent and 41.54 percent of total income, respectively. This was in alignment with KBank's set target, wherein non-interest income would be around 40 percent of total income.

(Unit: Million Baht)

	2017	2016	Change Million Baht	Percent
Non-Interest Income				
Fees and Service Income	51,757	48,631	3,126	6.43
Fees and Service Expenses	10,451	9,688	763	7.88
Fees and Service Income – net	41,306	38,943	2,363	6.07
Gain on Trading and Foreign Exchange Transactions	8,411	8,746	(335)	(3.84)
Loss on Financial Liabilities Designated at Fair Value through Profit or Loss	(2)	(4)	2	63.03
Gain on Investments	3,491	1,588	1,903	119.87
Share of Profit from Investments using Equity Method	158	117	41	35.01
Dividend Income	1,991	1,609	382	23.72
Net Premiums Earned	99,786	94,445	5,341	5.65
Other Operating Income	1,405	2,462	(1,057)	(42.93)
<u>Less</u> Underwriting Expenses	93,851	84,181	9,670	11.49
Total Non-Interest Income	62,695	63,725	(1,030)	(1.62)
Non-Interest Income to Average Assets (percent)	2.18	2.36		(0.18)
Non-Interest Income Ratio (percent)	39.97	41.54		(1.57)
Net Fee Income to Net Total Operating Income Ratio (percent)	26.33	25.39		0.94

Other Operating Expenses

KBank's consolidated other operating expenses for 2017 was Baht 66,372 million, rising Baht 2,518 million, or 3.94 percent over-year. Our cost to income ratio of 2017 was at 42.31 percent, higher than 41.63 percent in the previous year, and close to the set target.

(Unit: Million Baht)

	2017	2016	Change Million Baht	Percent
Employee Expenses	31,008	30,202	806	2.67
Directors' Remuneration	140	138	2	1.01
Premises and Equipment Expenses	12,917	12,434	483	3.89
Taxes and Duties	4,525	4,476	49	1.08
Others	17,782	16,604	1,178	7.09
Total Other Operating Expenses	66,372	63,854	2,518	3.94
Cost to Income Ratio (percent)	42.31	41.63		0.68

— Classified loans, Allowance for Doubtful Accounts and Revaluation Allowance for Debt Restructuring

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, 2017, are shown in the table below:

Classified loans, Allowance for Doubtful Accounts and Revaluation Allowance for Debt Restructuring

(Unit: Million Baht)

	Loans and Accrued Interest Receivables	Allowance for Doubtful Accounts	
		Percent per BOT's Regulations	Total Provision
Normal	1,668,501	1	5,481
Special Mention	46,633	2	250
Sub-Standard	23,000	100	10,779
Doubtful	17,651	100	8,385
Doubtful of Loss	29,148	100	11,560
Loss	-		-
Total	1,784,933		36,455
Revaluation Allowance for Debt Restructuring			1,451
Total	1,784,933		37,906
Excess Allowance			65,214
Credit Balance Transaction	2,708		46
Loans from Life Insurance Business	18,534		269
Total	1,806,175		103,435

As of December 31, 2017, KBank's consolidated allowance for doubtful accounts, comprising allowance for doubtful accounts of customers and financial institutions of Baht 101,984 million and revaluation allowance for debt restructuring of Baht 1,451 million, totaled Baht 103,435 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.

Impairment Loss on Loans and Debt Securities

During 2017, KBank and our subsidiaries set aside impairment loss on loans and debt securities at Baht 41,810 million, an increase of Baht 8,057 million or 23.87 percent over-year to maintain our financial stability. Thus our credit cost for 2017 stood at 2.39 percent, higher than 2.04 percent in the previous year.

Impairment Loss on Loans and Debt Securities

(Unit: Million Baht)

	2017	2016	Change	
			Million Baht	Percent
Impairment Loss on Loans and Debt Securities	41,810	33,753	8,057	23.87
Credit Cost (percent)	2.39	2.04		0.35

Allowance for Doubtful Accounts and Allowance for Impairment of Assets

As of December 31, 2017, KBank's consolidated allowance for doubtful accounts and revaluation allowance for debt restructuring totaled Baht 103,435 million. This amount was equivalent to 272.87 percent of the level required by the Bank of Thailand.

— Non-Performing Loans and Debt Restructuring**Non-Performing Loans**

As of December 31, 2017, KBank's consolidated NPLs stood at Baht 69,674 million, 3.30 percent of the total outstanding credit, including that of financial institutions. Bank-only NPLs totaled Baht 67,624 million, 3.25 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)

For the Year Ending	Dec. 31, 2017	Dec. 31, 2016
Consolidated NPLs	69,674	65,087
Percent of total outstanding credit, including that of financial institutions	3.30	3.32
Bank-only NPLs	67,624	63,018
Percent of total outstanding credit, including that of financial institutions	3.25	3.23

Net Non-Performing Loans

As of December 31, 2017, KBank's consolidated net NPLs stood at Baht 38,570 million – 1.85 percent of the total outstanding credit, including that of financial institutions. Bank-only net NPLs totaled Baht 37,834 million – 1.84 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)

For the Year Ending	Dec. 31, 2017	Dec. 31, 2016
Consolidated net NPLs	38,570	33,553
Percent of total outstanding credit, including that of financial institutions	1.85	1.74
Bank-only net NPLs	37,834	32,727
Percent of total outstanding credit, including that of financial institutions	1.84	1.70

Debt Restructuring

As of December 31, 2017, KBank's consolidated restructured debts which incurred losses totaled Baht 62,240 million, increasing by Baht 3,940 million, or 6.76 percent when compared to 2016.

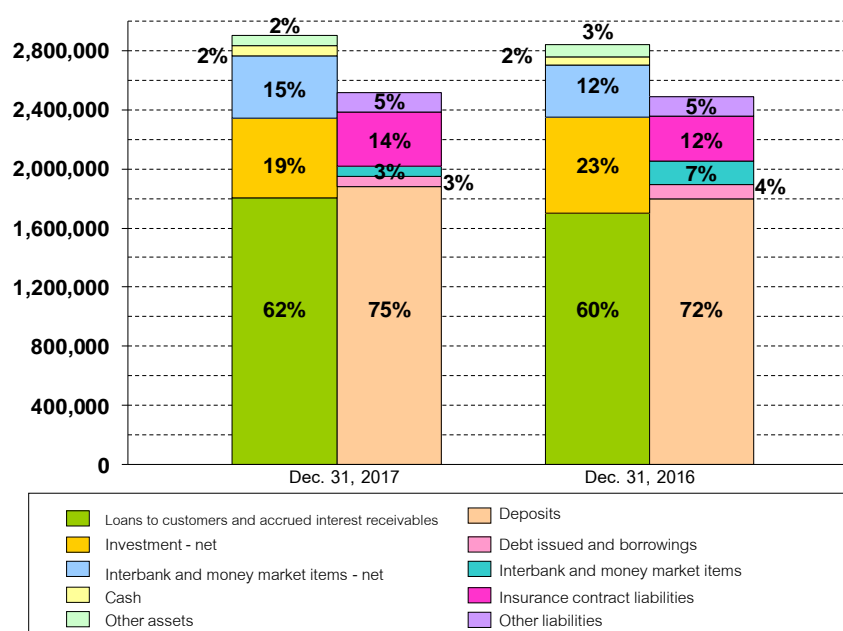
Foreclosed Properties

As of December 31, 2017, our consolidated foreclosed properties had a cost value of Baht 19,630 million, thus being 0.68 percent of total assets, and allowance for impairment on foreclosed properties stood at Baht 2,186 million, equivalent to 11.14 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

(Unit: Million Baht)



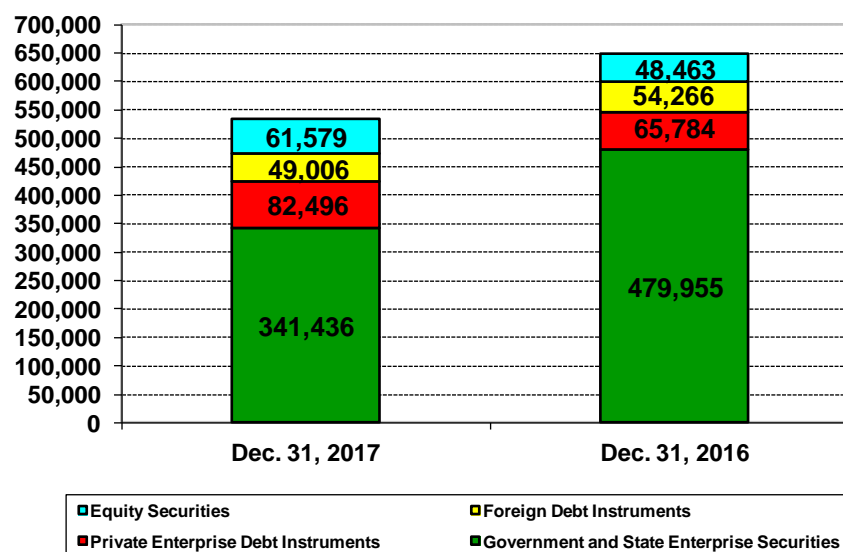
Assets

At the end of 2017, KBank's consolidated assets totaled Baht 2,900,841 million, increasing Baht 57,563 million or 2.02 percent from the end of 2016. The rise was due mainly to increase in loans and net interbank and money market items (assets) whereas net investment decreased. Key details are as follows:

- Our consolidated loans (less deferred revenue) at the end of 2017 amounted to Baht 1,802,783 million, increasing by Baht 105,202 million or 6.20 percent from the end of 2016. Loan growth was higher than the set target. Most increases were seen in commercial loan, working capital, and housing loan. Our consolidated loans were the fourth-largest among Thai commercial banks.
- Net interbank and money market items (assets) totaled Baht 462,092 million at the end of 2017, increasing by Baht 76,886 million or 22.02 percent from the end of 2016, due mainly to KBank's liquidity management.
- Net investment totaled Baht 535,560 million at the end of 2017, decreasing by Baht 114,038 million or 17.56 percent from the end of 2016 due mainly to sales of government bonds.

Investments in Securities

(Unit: Million Baht)



Liabilities and Equity

Our consolidated liabilities, at the end of 2017 amounted to Baht 2,513,019 million, which rose Baht 23,652 million or 0.95 percent from the end of 2016. The increase was mainly attributable to increased deposits and insurance contract liabilities whereas interbank and money market items (liabilities) and debt issued and borrowings declined. Significant changes in our consolidated liabilities included:

- Deposits at the end of 2017 equaled Baht 1,878,672 million, increasing Baht 83,837 million or 4.67 percent from the end of 2016, mainly as a result of increased in savings deposit. KBank's deposits ranked the fourth-largest among Thai commercial banks.
- Insurance contract liabilities at the end of 2017 registered Baht 363,515 million, an increase of Baht 57,691 million or 18.86 percent from the end of 2016, in line with the growth in life insurance business.
- Interbank and money market items (liabilities) at the end of 2017 equaled Baht 69,289 million, decreasing Baht 90,763 million or 56.71 percent from the end of 2016, due largely to decrease in private REPO transactions.
- Debt issued and borrowings at the end of 2017 equaled Baht 70,575 million, decreasing Baht 25,801 million or 26.77 percent from the end of 2016, due largely to early redemption of subordinated debentures of KASIKORNBANK PCL No.1/2012, amounting to Baht 22,000 million, in the first quarter of 2017

At the end of 2017, total equity attributable to equity holders of KBank amounted to Baht 348,625 million, rising by Baht 26,879 million or 8.35 percent from the end of 2016, largely driven by net operating profit for 2017 at Baht 34,338 million despite the interim dividend payment from net profit for the first half of 2017 that was made in September 2017, totaling Baht 1,197 million.

Relationship between Sources and Uses of Funds

As of December 31, 2017, the funding structure as shown in the consolidated financial statement comprised Baht 2,513,019 million in liabilities and Baht 387,822 million in total equity, resulting in a debt-to-equity ratio of 6.48. The main source of funds on the liabilities side was deposits, which equaled Baht 1,878,672 million, or 64.76 percent of the total source of funds, as of December 31, 2017. Other sources of funds included interbank and money market items as well as debt issued and borrowings, which accounted for 2.39 percent and 2.43 percent of the total, respectively.

KBank's and subsidiaries' major use of funds was loans less deferred revenue, which as of December 31, 2017, amounted to Baht 1,802,783 million, resulting in loan-to-deposit ratio and loan-to-deposit plus bills of exchange ratio of 95.96 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, 2017	Percent	Dec. 31, 2016	Percent	Dec. 31, 2017	Percent	Dec. 31, 2016	Percent
≤ 1 Year	1,858,490	98.93	1,783,984	99.40	786,318	43.61	772,897	45.53
> 1 - 5 Years	20,182	1.07	10,851	0.60	479,836	26.62	415,263	24.46
> 5 Years	-	-	-	-	536,629	29.77	509,421	30.01
Total	1,878,672	100.00	1,794,835	100.00	1,802,783	100.00	1,697,581	100.00

As of December 31, 2017, 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 2017, the Bank and its subsidiaries' cash were Baht 67,825 million, increased by Baht 7,236 million from the end of previous year. Net cash provided by and used in activities could be summarised as follows:

- Net cash used in operating activities were Baht 88,535 million which was mainly from changes in significant operating assets and liabilities consisting of Baht 83,229 million of increase in interbank and money market items (assets), Baht 136,330 million of increase in loans to customers and Baht 88,928 million of decrease in interbank and money market items (liabilities), while there were Baht 83,970 million of increase in deposits and Baht 54,163 million of increase in other liabilities. While, there was Baht 81,665 million of operating profit before changes in operating assets and liabilities.
- Net cash provided by investing activities were Baht 127,860 million which was mainly from Baht 385,137 million of proceeds from disposal of available-for-sale investments and Baht 53,388 million of proceeds from redemption of held-to-maturity debt instruments, while there were Baht 209,451 million of purchase of available-for-sale investments and Baht 93,015 million of purchase held-to-maturity debt instruments.
- Net cash used in financing activities were Baht 32,083 million which was mainly from Baht 22,066 million of repayment of long-term debts issued and borrowings and Baht 9,573 million of dividend paid to shareholders.

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 17	31 Dec 16	31 Dec 15
Avals to bills and guarantees of loans	18,723	24,406	20,456
Liability under unmatured import bills	29,786	26,173	15,721
Letters of credit	32,617	28,112	26,604
Other contingencies	632,140	592,803	525,784
Total	713,266	671,494	588,565

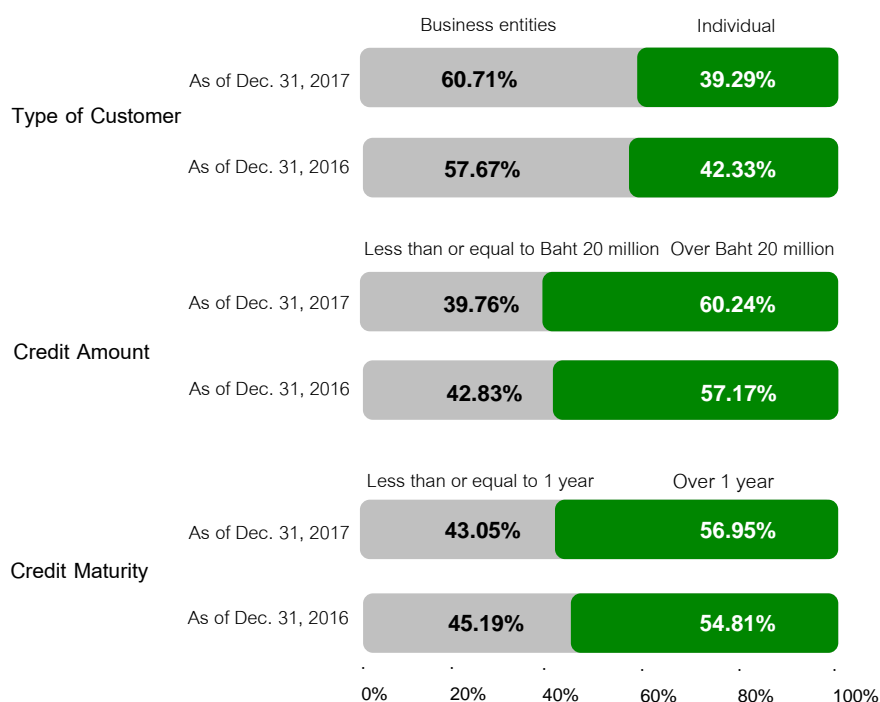
Loans and Deposits

Loans

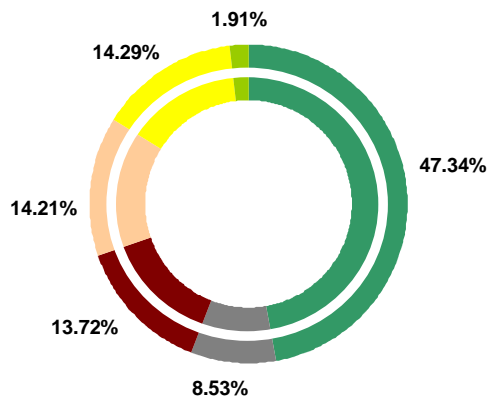
As of December 31, 2017, KBank's consolidated outstanding loans stood at Baht 1,802,783 million, increasing by Baht 105,202 million, or 6.20 percent, compared to Baht 1,697,581 million at the end of 2016.

As of December 31, 2017, 60.71 percent of KBank's outstanding loans were made to juristic persons or registered businesses. Loan account exceeding Baht 20 million totaled Baht 1,038,167 million, or 60.24 percent of the total; 39.76 percent were loans under Baht 20 million. As for maturities, credit with maturities of less than or equal to one year accounted for 43.05 percent of our total loans.

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

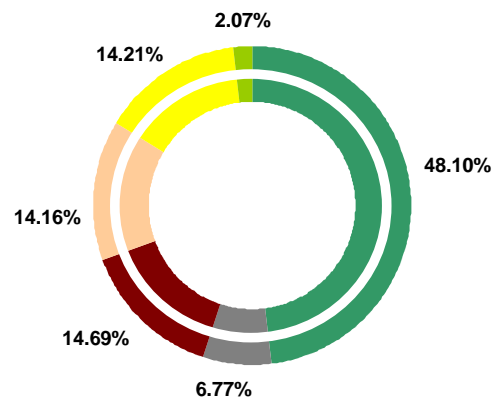


KBank's Consolidated Lending Portfolio



As of Dec. 31, 2017

- Agriculture & Mining
- Manufacturing & Commerce
- Real Estate & Construction
- Utilities & Services
- Housing Loans
- Others



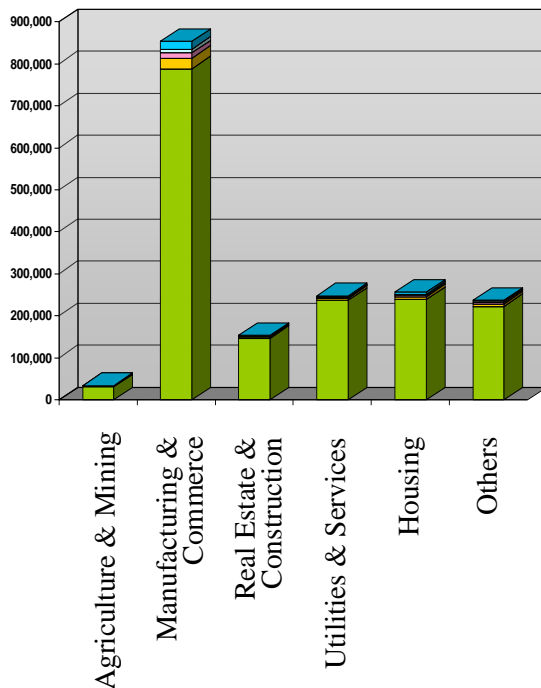
As of Dec. 31, 2016

- Agriculture & Mining
- Manufacturing & Commerce
- Real Estate & Construction
- Utilities & Services
- Housing Loans
- Others

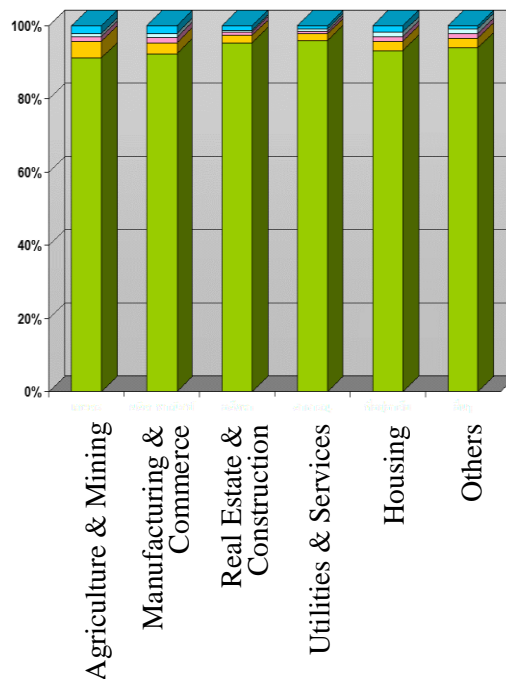
As of Dec. 31, 2017

Consolidated Loans Classified by Type of Business and Loan Classification

Unit: Million



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



- Normal
- Special Mention
- Sub-standard
- Doubtful
- Doubtful of Loss

Within KBank's consolidated lending portfolio, 93.48 percent were classified as "Normal" loans. When sub-divided by type of business, Manufacturing & Commerce represented the highest share of total consolidated lending at 47.34 percent; of that 92.43 percent were classified as "Normal" loans.

Loans Classified by Business

(Unit: Million Baht)

	Dec. 31, 2017		Dec. 31, 2016	
	Corporate Business ¹⁾	Retail Business ²⁾	Corporate Business ¹⁾	Retail Business ²⁾
Loans	1,271,411	443,779	1,169,583	428,680

Notes: ¹⁾ "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.

²⁾ "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, our corporate business loans enjoyed growth in 2017 thanks to consistent demand amid brighter economic growth both at home and abroad compared to the previous year. As of the end of 2017, our corporate business loans (Corporate and SME customers) increased by Baht 101,828 million, or 8.71 percent, from the end of 2016. The increase was derived from real estate and related industries, especially construction, as well as food and beverages, where loan demand rose with thriving exports.

Our retail business loans increased by only Baht 15,099 million, or 3.52 percent, over the end of 2016 due to KBank's cautious credit policy amid hefty household debt to GDP and the fragile economic recovery. We were determined to manage loan growth in alignment with market conditions, with a continued focus on loan quality to maintain our market leadership in major loan products. In 2017, home loans remained our core product with the highest growth in our portfolio, thanks to our strengthened alliances with business partners in staging marketing campaigns to meet the needs and ease burdens of our customers residing in Bangkok and other strategic provinces, as well as those using our services via digital channels. Meanwhile, our consumer loans enjoyed higher growth, especially other types of personal loans, owing to KBank's focus on customer screening.

Deposits

Deposits Classified by Type of Deposit Account

(Unit: Million Baht)

	Percent of Total Deposits	Deposits		Change	
		Dec. 31, 2017	Dec. 31, 2016	Million Baht	Percent
Total Deposits	100.00	1,878,672	1,794,835	83,837	4.67
Current accounts	5.77	108,468	100,977	7,491	7.42
Savings accounts	73.08	1,372,947	1,285,001	87,946	6.84
Fixed-term deposit accounts	21.15	397,257	408,857	(11,600)	(2.84)

At the end of 2017, total deposits – comprising those of Corporate Business and Retail Business – increased by Baht 83,837 million, or 4.67 percent, over the end of 2016. The increase was in line with loan growth. This was due mainly to increased savings accounts of both Corporate Business and Retail Business customers in line with our management of deposits, which were maintained at appropriate levels for our business operation in order to remain competitive. We continued to launch

deposit products, through various types of special fixed deposit programs along with products aimed at savers seeking life insurance. We also focused on the launch of other investment alternatives with higher returns and risks acceptable to customers, to replace certain fixed deposits that reached maturity.

Treasury Operations

Treasury Operations

From the beginning to the end of 2017, overnight interbank lending rates mostly stayed at 1.40 percent p.a. Those steady rates were influenced by the MPC meeting resolutions, wherein the key policy rate was kept 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. In 2017, our liquidity position was appropriately managed, and we were able to enhance returns on investments by using excess liquidity to invest in short-term Thai government bonds in order 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 top-rated short-term foreign bonds and 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	2017	2016	Change	
				Million Baht	Percent
Interest income¹⁾					
Interbank and money market items ²⁾	66.58	6,282	5,557	725	13.05
Investments	33.42	3,153	3,375	(222)	(6.58)
Total	100.00	9,435	8,932	503	5.63

Notes: ¹⁾ Managerial figures

²⁾ Including loans

During 2017, total interest income stood at Baht 9,435 million, rising by Baht 503 million, being 5.63 percent higher than in 2016 due to higher liquidity.

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, 2017, our deposits at the Bank of Thailand and cash at cash center averaged Baht 27,188 million.

Operating Performance of K Companies and Muang Thai Life Assurance PCL**Operating Performance of K Companies¹⁾ and Muang Thai Life Assurance PCL**

(Unit: Million Baht)

	Performance Measurement	2017	2016
KASIKORN ASSET MANAGEMENT CO., LTD. (KAsset)	Assets under Management	1,302,686	1,240,206
	Market Share (Percent)	18.72	19.47
KASIKORN SECURITIES PCL (KSecurities)	Trading Volume	811,883	868,068
	Market Share (Percent)	3.71	3.78
KASIKORN LEASING CO., LTD. (KLeasing)	Loans	97,055	90,696
KASIKORN FACTORY AND EQUIPMENT CO., LTD. (KF&E)	Loans	17,633	14,798
	Net Premiums Earned	102,681	97,013
Muang Thai Life Assurance PCL (MTL)	Market Share (Percent)	17.06	17.07

Note: ¹⁾ KResearch is not included, since this company does not engage in financial business.

During 2017, 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 20.11 percent. Total market share of assets under management (AUM) was 18.72 percent. The excellent performance benefited from its synergy with KBank for product development to match consumers' needs. Notable efforts were the launch of new funds including K FIT Allocation Fund (K-FIT) that allocates investment in various assets to meet customer needs, and K Global Risk-Enhanced Allocation Fund (K-GREAT) which manages investment in line with customer risk appetite. Along with this, K-My Funds – a new electronic service channel via mobile application – was introduced to provide customers greater convenience when doing transactions, and to more effectively communicate with them. Its distinctive feature is to clearly display return on investment. To assist our existing and new clients in their investment, the company offered various investment tools such as My Port Simulator – a tool for portfolio analysis and management based on customer risk appetite, and Fund Navigator – a tool for funds selection in accordance with investment target. Moreover, K-My PVD was offered, designed specifically for provident fund members to monitor return on investment, allowing them to set an effective investment and retirement plan.

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 include: 1) KS Super Stock Mobile Application, for which a new function was developed to allow stock selection based on global investing gurus' viewpoints, plus enhanced functions for three-year historical individual stock performance monitoring and analysis; and 2) KS Super Portfolio – a complete tool for portfolio analysis and monitoring with portfolio adjustment advisory service. Through these endeavors, KSecurities maintained its market leadership in 2017, with a market share of 3.71 percent.

KLeasing's outstanding loans posted over-year growth of 7.01 percent, in line with the country's domestic auto sales growth. KLeasing enjoyed solid new loan growth, which was derived mainly from hire purchase. Asset quality remained healthy with an NPL ratio of 1.52 percent, lower than the banking industry average. Moreover, KLeasing has continued to

improve service quality and introduce new product campaigns to meet customers' needs while providing an excellent service experience to both retail and corporate customers.

KF&E reported over-year loan growth of 19.16 percent, which was higher than the company's 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 18.51 percent, and the number-two market share in total premiums at 17.06 percent. The company remained at the forefront in bancassurance, thanks to close cooperation with KBank in developing insurance plans that are in line with KBank customers' demands.

Capital Requirements¹⁾

Placing great emphasis on 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, while the Risk Management Committee 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.

Overview of Minimum Capital Requirements

After the global financial crisis, the Basel Committee on Banking Supervision (BCBS) undertook a great effort to review capital supervision framework (Basel III) to reinforce the stability of the global banking system. The framework is intended to increase financial institutions' ability to absorb losses that may be incurred in both normal and stressed situations. Basel III places focus on higher minimum capital requirement. The Bank of Thailand (BOT) has adopted the reforms in Thailand as follows:

Minimum Capital Requirements comprise two parts, i.e.

1. Minimum Capital Requirement – Total capital ratio must be maintained at not less than 8.5 percent, comprising Common Equity Tier-1 ratio (CET1 ratio) and Tier-1 ratio at not less than 4.5 percent and 6 percent, respectively.
2. Capital Buffer – Beyond the minimum capital requirement, BOT requires that a conservation buffer be maintained as an additional requirement. The conservation buffer began at 0.625 percent CET1 ratio on January 1, 2016 and increases each subsequent year by an additional 0.625 percent, to reach its final level of 2.50 percent CET1 ratio in 2019.

Additional Minimum Capital Requirements

In addition to the capital ratio requirements as above, the Bank of Thailand announced higher loss absorbency for Domestic Systemically Important Banks (D-SIBs Buffer) in order to align banking supervision with Basel standard and strengthen stability of the financial system. D-SIBs are required to maintain the additional CET1 of 1 percent of risk weighted assets and the ratio will be gradually phased-in 0.5 percent by January 1, 2019 and 1 percent by January 1, 2020. KBank is one of the D-SIBs, which are identified by the large size, high connection with other financial institutions and the financial system, complex financial products offering and a role as major provider of financial products and financial infrastructure. KBank's and the Conglomerate's capital ratio level are above regulatory requirements currently adopted, and to be adopted in the future.

As of the end of 2017, KASIKORNBANK FINANCIAL CONGLOMERATE, under the Basel III capital requirements, had capital funds of Baht 350,097 million, consisting of Baht 305,360 million in Tier-1 capital and Baht 44,737 million in Tier-2 capital. The capital adequacy ratio of KBank was 17.96 percent, which is above the Bank of Thailand's minimum requirement and conservation buffer of 9.75 percent. Details are shown in the following table.

Capital Adequacy Ratio

➤ KASIKORNBANK FINANCIAL CONGLOMERATE²⁾

(Unit: Percent)

Capital Adequacy Ratio	Basel III						Minimum Requirement & Conservation Buffer ⁴⁾	Dec. 31, 2016
	Minimum Requirement & Conservation Buffer ⁴⁾	Dec. 31, 2017	Sep. 30, 2017	Jun. 30, 2017	Mar. 31, 2017			
Tier-1 Capital Ratio ³⁾	7.25	15.66	15.91	15.25	15.03	6.625		15.16
<i>Common Equity Tier-1 Ratio</i>	<i>5.75</i>	<i>15.66</i>	<i>15.91</i>	<i>15.25</i>	<i>15.03</i>	<i>5.125</i>		<i>15.16</i>
Tier-2 Capital Ratio	-	2.30	2.32	2.38	2.48	-		3.68
Capital Adequacy Ratio	9.75	17.96	18.23	17.63	17.51	9.125		18.84

➤ The Bank

(Unit: Percent)

Capital Adequacy Ratio	Basel III						Minimum Requirement & Conservation Buffer ⁴⁾	Dec. 31, 2016
	Minimum Requirement & Conservation Buffer ⁴⁾	Dec. 31, 2017	Sep. 30, 2017	Jun. 30, 2017	Mar. 31, 2017			
Tier-1 Capital Ratio ³⁾	7.25	14.62	14.81	14.25	14.17	6.625		14.27
<i>Common Equity Tier-1 Ratio</i>	<i>5.75</i>	<i>14.62</i>	<i>14.81</i>	<i>14.25</i>	<i>14.17</i>	<i>5.125</i>		<i>14.27</i>
Tier-2 Capital Ratio	-	2.58	2.59	2.62	2.68	-		3.90
Capital Adequacy Ratio	9.75	17.20	17.40	16.87	16.85	9.125		18.17

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 2017, we continued to implement Value-Based Management (VBM), which is a management practice that aims to achieve the highest value creation 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.

Moreover, we have developed guidelines for performance measurements consistent with various management aspects, including business direction, 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 competitive advantage in the dimension of customer segments and product domains, paying attention to the linkages between them while also monitoring risk via Active Credit Portfolio Management (ACPM) Dashboard and Stress Test Dashboard which are used by business units for decision making on analysis and management of at both bank-wide and each customer level. Meanwhile, related business units have adopted value-based analyses for their viability assessments on investment projects, allowing them to effectively adjust their business strategies in alignment with fast-changing market conditions and attain the highest efficiency in the use of capital.

Credit Ratings

At the end of December 2017, KBank's credit rating given by Moody's Investors Service, Standard & Poor's, and Fitch Ratings remained unchanged from the end of December 2016.

Details are shown in the following table.

KASIKORNBANK's Credit Ratings	
Credit Ratings Agency	Dec. 31, 2017
Moody's Investors Service ¹⁾	
<u>Foreign Currency</u>	
Outlook	Stable
Long-term - Senior Unsecured Notes	Baa1
- Deposit	Baa1
- Counterparty Risk Assessments	Baa1(cr)
Short-term - Debt/Deposit	P-2
- Counterparty Risk Assessments	P-2(cr)
Baseline Credit Assessment	Baa2
<u>Domestic Currency</u>	
Outlook	Stable
Long-term - Deposit	Baa1
Short-term - Debt/Deposit	P-2
Standard & Poor's ^{1) 2)}	
<u>Global Scale Ratings</u>	
Outlook	Stable
Long-term Counterparty Credit Rating	BBB+
Long-term Certificate of Deposit	BBB+
Short-term Counterparty Credit Rating	A-2
Short-term Certificate of Deposit	A-2
Senior Unsecured Notes (Foreign Currency)	BBB+
Fitch Ratings ¹⁾	
<u>International Credit Ratings (Foreign Currency)</u>	
Outlook	Stable
Long-term Issuer Default Rating	BBB+
Short-term Issuer Default Rating	F2

Credit Ratings Agency	Dec. 31, 2017
Senior Unsecured Notes	BBB+
Viability	bbb+
Support	2
Support Rating Floor	BBB-
<u>National Credit Ratings</u>	
Outlook	Stable
Long-term	AA+(tha)
Short-term	F1+(tha)
Subordinated Debt (Basel III-compliant Tier 2 securities)	AA(thai)

Note: ¹⁾ 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.

²⁾ Standard & Poor's removed ASEAN Regional Scale Ratings of Thai banks, including KBank, in September 2017.