

**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 2018, 2017 and 2016.

**Summary of Independent Auditor's Report 2018**

An auditor expressed an unqualified opinion on the consolidated financial statement and the Bank-only financial statement for the year ended 31 December 2018.

**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 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>		
	<b>31 December</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b> <b>(Restated)</b>
<b>ASSETS</b>			
Cash	66,739,598	67,824,628	60,588,798
Interbank and money market items - net	461,987,288	426,092,013	349,206,519
Derivative assets	26,195,493	27,244,293	31,765,140
Investments - net	661,655,219	535,560,461	649,597,727
Investments in subsidiaries, associates and joint ventures - net	916,679	845,625	781,163
Loans to customers and accrued interest receivables - net			
Loans to customers	1,924,748,421	1,812,356,298	1,707,234,699
Accrued interest receivables	3,386,966	3,391,334	3,491,802
Total Loans to customers and accrued interest receivables	1,928,135,387	1,815,747,632	1,710,726,501
Less Deferred revenue	(10,675,722)	(9,573,329)	(9,653,955)
Less Allowance for doubtful accounts	(117,689,558)	(101,983,438)	(82,418,056)
Less Revaluation allowance for debt restructuring	(1,796,362)	(1,450,842)	(2,793,966)
Total Loans to customers and accrued interest receivables - net	1,797,973,745	1,702,740,023	1,615,860,524
Properties foreclosed - net	22,213,586	17,444,121	15,443,877
Premises and equipment - net	48,525,133	50,136,653	49,727,867
Goodwill and other intangible assets - net	24,089,024	24,588,621	23,969,609
Deferred tax assets	6,694,782	5,033,040	4,572,254
Other assets - net	38,100,262	43,331,296	41,765,000
<b>Total Assets</b>	<b>3,155,090,809</b>	<b>2,900,840,774</b>	<b>2,843,278,478</b>



## KASIKORNBANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

## STATEMENTS OF FINANCIAL POSITION (Continued)

Thousand Baht

	<i>Consolidated</i>		
	31 December		
	2018	2017	2016 (Restated)
<b>LIABILITIES AND EQUITY</b>			
Deposits	1,995,000,637	1,878,672,037	1,794,835,096
Interbank and money market items	128,003,006	69,288,567	160,052,342
Liabilities payable on demand	25,488,433	21,248,002	19,845,973
Derivative liabilities	21,739,574	25,401,388	31,629,510
Debts issued and borrowings	70,566,887	70,575,042	96,375,833
Provisions	24,489,636	25,399,890	22,494,499
Deferred tax liabilities	1,615,016	1,905,946	1,806,825
Insurance contract liabilities	410,747,873	363,514,612	305,823,756
Other liabilities	59,617,825	57,012,995	56,503,051
<b>Total Liabilities</b>	<b>2,737,268,887</b>	<b>2,513,018,479</b>	<b>2,489,366,885</b>
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	19,121,516	22,272,886	19,786,356
Retained earnings			
Appropriated			
Legal reserve	3,050,000	3,050,000	3,050,000
Unappropriated	312,090,325	281,266,529	256,874,044
Total Equity attributable to equity holders of the Bank	<b>376,297,553</b>	<b>348,625,127</b>	<b>321,746,112</b>
Non-controlling interests	41,524,369	39,197,168	32,165,481
<b>Total Equity</b>	<b>417,821,922</b>	<b>387,822,295</b>	<b>353,911,593</b>
<b>Total Liabilities and Equity</b>	<b>3,155,090,809</b>	<b>2,900,840,774</b>	<b>2,843,278,478</b>

**KASIKORNBANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**STATEMENTS OF FINANCIAL POSITION**

Thousand Baht

	<i>The Bank</i>		
	<b>31 December</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b> <b>(Restated)</b>
<b>ASSETS</b>			
Cash	66,702,497	67,787,380	60,541,754
Interbank and money market items - net	433,637,801	402,170,407	338,192,122
Derivative assets	25,253,216	26,968,912	32,026,598
Investments - net	224,815,062	146,556,016	320,870,527
Investments in subsidiaries, associates and joint ventures - net	30,575,493	28,626,861	15,438,978
Loans to customers and accrued interest receivables - net			
Loans to customers	1,868,154,453	1,763,235,477	1,672,246,136
Accrued interest receivables	2,733,672	2,854,752	3,052,902
Total Loans to customers and accrued interest receivables	1,870,888,125	1,766,090,229	1,675,299,038
Less Deferred revenue	(190,963)	(269,948)	(339,057)
Less Allowance for doubtful accounts	(113,848,883)	(98,647,092)	(79,920,653)
Less Revaluation allowance for debt restructuring	(1,789,986)	(1,438,533)	(2,793,966)
Total Loans to customers and accrued interest receivables - net	1,755,058,293	1,665,734,656	1,592,245,362
Properties foreclosed - net	22,095,753	17,341,587	15,283,129
Premises and equipment - net	38,463,014	40,382,757	41,052,028
Goodwill and other intangible assets - net	18,208,983	19,040,818	19,016,854
Deferred tax assets	4,431,038	4,311,438	3,835,422
Other assets - net	21,908,381	25,903,231	26,166,993
<b>Total Assets</b>	<b>2,641,149,531</b>	<b>2,444,824,063</b>	<b>2,464,669,767</b>

**KASIKORNBANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**STATEMENTS OF FINANCIAL POSITION (Continued)**

Thousand Baht

	<i>The Bank</i>		
	<b>31 December</b>		
	<b>2018</b>	<b>2017</b>	<b>2016 (Restated)</b>
<b>LIABILITIES AND EQUITY</b>			
Deposits	1,991,422,958	1,875,729,451	1,798,440,168
Interbank and money market items	136,452,344	82,253,026	169,508,323
Liabilities payable on demand	25,488,433	21,248,002	19,845,973
Derivative liabilities	22,010,827	25,396,449	30,015,390
Debts issued and borrowings	70,446,196	70,309,396	96,208,164
Provisions	22,834,534	23,946,396	21,323,796
Other liabilities	34,366,203	31,623,323	34,978,940
<b>Total Liabilities</b>	<b>2,303,021,495</b>	<b>2,130,506,043</b>	<b>2,170,320,754</b>
<b>Equity</b>			
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	16,645,491	17,701,831	16,952,416
Retained earnings			
Appropriated			
Legal reserve	3,050,000	3,050,000	3,050,000
Unappropriated	276,396,833	251,530,477	232,310,885
<b>Total Equity attributable to equity holders of the Bank</b>	<b>338,128,036</b>	<b>314,318,020</b>	<b>294,349,013</b>
<b>Total Liabilities and Equity</b>	<b>2,641,149,531</b>	<b>2,444,824,063</b>	<b>2,464,669,767</b>



**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		
	2018	2017	2016
Interest income	123,921,919	119,337,280	115,872,881
Interest expenses	25,384,411	25,176,274	26,195,093
Interest income - net	98,537,508	94,161,006	89,677,788
Fees and service income	51,186,823	51,757,099	48,631,263
Fees and service expenses	13,069,478	10,451,160	9,687,936
Fees and service income - net	38,117,345	41,305,939	38,943,327
Gain on trading and foreign exchange transactions	9,003,084	8,410,508	8,746,212
Loss on financial liabilities designated at fair value through profit or loss	-	(1,543)	(4,175)
Gain on investments	2,652,340	3,490,719	1,587,638
Share of profit from investments using equity method	49,539	157,553	116,696
Dividend income	2,117,832	1,990,986	1,609,208
Net premiums earned	91,434,083	99,786,124	94,445,248
Other operating income	1,468,024	1,405,295	2,462,467
Total operating income	243,379,755	250,706,587	237,584,409
Underwriting expenses	87,897,063	93,850,368	84,181,733
Total operating income - net	155,482,692	156,856,219	153,402,676
Other operating expenses			
Employee expenses	31,369,411	31,007,961	30,201,493
Directors' remuneration	143,221	139,813	138,415
Premises and equipment expenses	12,648,522	12,917,437	12,433,822
Taxes and duties	4,867,417	4,524,725	4,476,461
Others	19,319,098	17,782,014	16,604,189
Total other operating expenses	68,347,669	66,371,950	63,854,380
Impairment loss on loans and debt securities	32,532,200	41,810,044	33,752,607
Operating profit before income tax expense	54,602,823	48,674,225	55,795,689
Income tax expense	10,394,614	9,027,754	10,455,952
<b>Net profit</b>	<b>44,208,209</b>	<b>39,646,471</b>	<b>45,339,737</b>

**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		
	2018	2017	2016
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss			
(Loss) gain on remeasurement of available-for-sale investments	(6,417,275)	4,963,142	3,549,524
(Loss) gain arising from translating the financial statements of a foreign operation	(353,479)	349,245	(110,666)
Income taxes relating to components of other comprehensive income	1,264,117	(988,680)	(734,209)
Items that will not be reclassified subsequently to profit or loss			
Changes in revaluation surplus	-	1,245,067	4,660,080
Actuarial gain (loss) on defined benefit plans	2,290,800	(712,071)	329,389
Income taxes relating to components of other comprehensive income	(454,466)	(106,166)	(997,894)
Total other comprehensive income	(3,670,303)	4,750,537	6,696,224
Total comprehensive income	40,537,906	44,397,008	52,035,961
Net profit attributable to :			
Equity holders of the Bank	38,459,116	34,338,246	40,174,100
Non-controlling interests	5,749,093	5,308,225	5,165,637
Total comprehensive income attributable to :			
Equity holders of the Bank	37,250,512	36,429,885	45,537,588
Non-controlling interests	3,287,394	7,967,123	6,498,373
Earnings per share of equity holders of the Bank			
Basic earnings per share (Baht)	16.07	14.35	16.79
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		
	2018	2017	2016
Interest income	103,099,060	101,477,204	100,509,100
Interest expenses	25,209,606	25,121,148	26,137,839
Interest income - net	77,889,454	76,356,056	74,371,261
Fees and service income	48,289,397	49,693,027	48,092,898
Fees and service expenses	12,751,251	9,997,537	9,480,157
Fees and service income - net	35,538,146	39,695,490	38,612,741
Gain on trading and foreign exchange transactions	8,845,731	8,403,927	8,574,495
Loss on financial liabilities designated at fair value through profit or loss	-	(1,543)	(4,175)
Gain on investments	1,228,899	2,325,606	1,020,290
Dividend income	3,877,313	3,854,412	3,671,519
Other operating income	2,748,994	3,219,991	5,560,373
Total operating income	130,128,537	133,853,939	131,806,504
Other operating expenses			
Employee expenses	22,645,594	23,020,704	22,357,662
Directors' remuneration	87,951	88,083	89,637
Premises and equipment expenses	12,537,303	12,762,507	12,468,570
Taxes and duties	4,270,705	3,995,905	4,018,372
Others	19,203,638	17,775,393	16,968,457
Total other operating expenses	58,745,191	57,642,592	55,902,698
Impairment loss on loans and debt securities	31,864,830	41,101,342	32,931,330
Operating profit before income tax expense	39,518,516	35,110,005	42,972,476
Income tax expense	6,955,977	5,923,348	7,458,130
<b>Net profit</b>	<b>32,562,539</b>	<b>29,186,657</b>	<b>35,514,346</b>

**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		
	2018	2017	2016
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss			
(Loss) gain on remeasurement of available-for-sale investments	(1,133,364)	845,493	775,014
(Loss) gain arising from translating the financial statements of a foreign operation	(5,094)	203,653	(118,895)
Income taxes relating to components of other comprehensive income	226,778	(150,769)	(201,686)
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	2,167,191	(678,733)	331,826
Income taxes relating to components of other comprehensive income	(433,438)	135,747	(998,381)
Total other comprehensive income	822,073	355,391	4,447,958
Total comprehensive income	33,384,612	29,542,048	39,962,304
Earnings per share of equity holders of the Bank			
Basic earnings per share (Baht)	13.61	12.20	14.84
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>		
	<b>For the year ended 31 December</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating profit before income tax expense	54,602,823	48,674,225	55,795,689
Adjustments for			
Depreciation and amortisation	7,393,400	7,333,203	7,263,908
Bad debt and doubtful accounts	31,408,842	40,022,144	32,323,027
Loss on debt restructuring	3,406,050	2,997,811	2,276,963
Interest income from amortisation of revaluation allowance for debt restructuring	(847,387)	(1,046,005)	(1,225,469)
Loss on foreign exchange translation of long-term borrowings	92,612	257,426	5,220
Loss (Gain) on revaluation of trading investments	359,736	(111,350)	(32,497)
Reversal of loss on impairment of investments	-	(53,858)	(59,483)
Gain on disposal of investments in securities	(2,651,692)	(3,435,057)	(1,587,273)
Gain on disposal of investments in associated companies	(648)	(1,889)	(366)
Loss on impairment of properties foreclosed	738,831	677,208	292,080
Loss on impairment of premises and equipment	131,456	471,848	332,496
Provision for other assets	221,330	237,151	356,007
Loss (Gain) on disposal of premises and equipment	4,669	(59,373)	(1,700)
Loss on write off of premises and equipment	18,828	144,161	104,834
Loss on write off of other assets	223,038	117,227	300,135
Reversal of loss on revaluation of premises	-	(10,612)	(109,729)
Share of profit from investments using equity method	(49,539)	(157,553)	(116,696)
	95,052,349	96,056,707	95,917,146
Interest income - net	(98,537,508)	(94,161,006)	(89,677,788)
Dividend income	(2,117,832)	(1,990,986)	(1,609,208)
Proceeds from interest	125,704,797	116,526,593	113,155,441
Interest paid	(24,186,416)	(25,163,012)	(26,580,779)
Proceeds from dividends	2,250,526	2,035,520	1,644,458
Income tax paid	(11,261,226)	(11,638,743)	(10,512,977)
Operating profit before changes in operating assets and liabilities	86,904,690	81,665,073	82,336,293

## KASIKORNBANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

## STATEMENTS OF CASH FLOWS (Continued)

Thousand Baht

	<i>Consolidated</i>		
	For the year ended 31 December		
	2018	2017	2016
(Increase) Decrease in operating assets			
Interbank and money market items (assets)	(38,112,115)	(83,229,124)	(42,644,690)
Investments held for trading	4,164,079	(10,232,741)	(1,715,841)
Loans to customers	(135,333,394)	(136,330,285)	(103,963,050)
Properties foreclosed	3,176,627	2,236,770	2,906,064
Other assets	4,728,562	4,171,372	1,586,384
Increase (Decrease) in operating liabilities			
Deposits	116,821,809	83,969,885	89,853,228
Interbank and money market items (liabilities)	58,548,958	(88,928,202)	89,574,361
Liabilities payable on demand	4,240,449	1,402,009	(3,699,193)
Financial liabilities designated at fair value through profit or loss	-	-	(38,890)
Short-term debts issued and borrowings	(144,955)	93,081	(4,350,493)
Other accrued expenses	(511,571)	290,807	483,038
Provisions	1,380,546	2,193,407	1,236,984
Other liabilities	45,534,518	54,162,513	59,855,723
Net cash provided by (used in) operating activities	151,398,203	(88,535,435)	171,419,918
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of available-for-sale investments	210,040,286	385,136,864	303,021,210
Proceeds from redemption of held-to-maturity debt instruments	55,298,456	53,387,775	40,545,072
Proceeds from disposal of general investments	36,634	82,561	987,815
Proceeds from disposal of investments in associated companies	893	8,119	1,320
Purchase of available-for-sale investments	(313,382,932)	(209,451,433)	(418,835,661)
Purchase of held-to-maturity debt instruments	(87,825,080)	(93,015,008)	(90,385,599)
Purchase of general investments	(2,219,724)	(729,867)	(188,816)
Purchase of investments in associated companies and joint venture	(136,415)	(8,533)	(51,575)
Proceeds from disposal of premises and equipment	26,158	130,863	11,547
Purchase of premises and equipment	(2,200,323)	(4,106,739)	(4,010,169)
Purchase of leasehold	(8,069)	(75,607)	(132,501)
Purchase of intangible assets	(2,533,873)	(3,498,982)	(2,935,290)
Net cash (used in) provided by investing activities	(142,903,989)	127,860,013	(171,972,647)

## KASIKORNBANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

## STATEMENTS OF CASH FLOWS (Continued)

Thousand Baht

	<i>Consolidated</i>		
	For the year ended 31 December		
	2018	2017	2016
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long-term debts issued and borrowings	17,232,803	470,360	21,578,690
Repayment of long-term debts issued and borrowings	(16,292,321)	(22,065,869)	(6,353,019)
Proceeds from acquisition of non-controlling interests	-	75,001	-
Dividend paid to shareholders	(9,573,041)	(9,573,041)	(9,573,040)
Dividend paid to non-controlling interests	(944,710)	(988,985)	(739,753)
Net cash (used in) provided by financing activities	(9,577,269)	(32,082,534)	4,912,878
Effect of exchange rate changes on balances held in foreign currencies at the end of the year	(1,975)	(6,214)	2,419
Net (decrease) increase in cash	(1,085,030)	7,235,830	4,362,568
Cash at the beginning of the year	67,824,628	60,588,798	56,226,230
Cash at the end of the year	66,739,598	67,824,628	60,588,798



## KASIKORNBANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

## STATEMENTS OF CASH FLOWS

Thousand Baht

	<i>The Bank</i>		
	For the year ended 31 December		
	2018	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating profit before income tax expense	39,518,516	35,110,005	42,972,476
Adjustments for			
Depreciation and amortisation	6,568,869	6,501,442	6,549,209
Bad debt and doubtful accounts	30,610,080	39,192,832	31,339,347
Loss on debt restructuring	3,403,405	2,987,135	2,276,963
Interest income from amortisation of revaluation allowance for debt restructuring	(842,127)	(1,040,365)	(1,225,456)
Loss on foreign exchange translation of long-term borrowings	92,612	257,426	5,220
(Gain) Loss on revaluation of trading investments	(7,114)	(18,139)	18,609
Reversal of loss on impairment of investments	(110,000)	(143,858)	(171,719)
Gain on disposal of investments in securities	(1,118,899)	(2,265,289)	(819,868)
Loss (Gain) on liquidation and redemption of subsidiaries	-	83,457	(28,703)
Loss on impairment of properties foreclosed	710,562	710,825	362,905
Loss on impairment of premises and equipment	131,456	471,848	332,496
Provision for other assets	221,330	237,122	356,007
Loss (Gain) on disposal of premises and equipment	12,186	(59,236)	(1,805)
Loss on write off of premises and equipment	18,125	135,707	96,332
Loss on write off of other assets	225,031	117,811	300,135
Reversal of loss on revaluation of premises	-	-	(109,729)
	79,434,032	82,278,723	82,252,419
Interest income - net	(77,889,454)	(76,356,056)	(74,371,261)
Dividend income	(3,877,313)	(3,854,412)	(3,671,519)
Proceeds from interest	106,920,226	99,175,975	98,175,858
Interest paid	(24,089,413)	(25,296,569)	(26,525,561)
Proceeds from dividends	3,876,802	3,852,737	3,691,713
Income tax paid	(6,984,098)	(7,870,949)	(7,368,507)
Operating profit before changes in operating assets and liabilities	77,390,782	71,929,449	72,183,142



## KASIKORNBANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

## STATEMENTS OF CASH FLOWS (Continued)

Thousand Baht

	<i>The Bank</i>		
	For the year ended 31 December		
	2018	2017	2016
(Increase) Decrease in operating assets			
Interbank and money market items (assets)	(32,607,843)	(70,369,787)	(41,806,638)
Investments held for trading	3,388,136	(7,576,735)	(195,182)
Loans to customers	(128,834,086)	(121,912,862)	(99,949,606)
Properties foreclosed	2,678,610	1,771,482	2,489,455
Other assets	4,121,060	6,042,229	5,020,768
Increase (Decrease) in operating liabilities			
Deposits	115,728,952	77,458,169	90,241,165
Interbank and money market items (liabilities)	53,816,196	(85,497,050)	88,671,162
Liabilities payable on demand	4,240,449	1,402,009	(3,698,492)
Financial liabilities designated at fair value through profit or loss	-	-	(38,890)
Short-term debts issued and borrowings	-	(4,896)	(4,322,516)
Other accrued expenses	(445,504)	152,138	81,554
Provisions	1,055,329	1,943,954	888,003
Other liabilities	(1,929,634)	(4,482,029)	941,328
Net cash provided by (used in) operating activities	98,602,447	(129,143,929)	110,505,253
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of available-for-sale investments	193,795,582	353,154,661	283,704,296
Proceeds from redemption of held-to-maturity debt instruments	45,567,835	47,231,800	36,218,606
Proceeds from disposal of general investments	24,000	77,731	984,267
Proceeds from capital decrease in subsidiaries	110,000	240,000	190,000
Proceeds from liquidation and redemption of subsidiaries	-	677,491	4,530,660
Purchase of available-for-sale investments	(285,813,904)	(176,184,451)	(396,240,462)
Purchase of held-to-maturity debt instruments	(38,572,648)	(36,059,140)	(29,869,676)
Purchase of general investments	(382,173)	(688,687)	(1,000)
Purchase of investments in subsidiaries	(2,502,500)	(14,806,184)	(5,498,272)
Purchase of investments in associated companies	-	(8,533)	-
Proceeds from disposal of premises and equipment	11,348	128,494	6,041
Purchase of premises and equipment	(1,277,349)	(3,593,770)	(3,197,809)
Purchase of leasehold	(8,069)	(12,197)	(109,543)
Purchase of intangible assets	(2,006,088)	(2,597,901)	(2,537,257)
Net cash (used in) provided by investing activities	(91,053,966)	167,559,314	(111,820,149)

## KASIKORNBANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

## STATEMENTS OF CASH FLOWS (Continued)

Thousand Baht

	<i>The Bank</i>		
	For the year ended 31 December		
	2018	2017	2016
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long-term debts issued and borrowings	17,232,803	470,360	21,578,690
Repayment of long-term debts issued and borrowings	(16,292,321)	(22,065,869)	(6,353,019)
Dividend paid to shareholders	(9,573,041)	(9,573,041)	(9,573,040)
Net cash (used in) provided by financing activities	(8,632,559)	(31,168,550)	5,652,631
Effect of exchange rate changes on balances held in foreign currencies at the end of the year	(805)	(1,209)	492
Net (decrease) increase in cash	(1,084,883)	7,245,626	4,338,227
Cash at the beginning of the year	67,787,380	60,541,754	56,203,527
Cash at the end of the year	66,702,497	67,787,380	60,541,754

## KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

## FINANCIAL RATIO

(Units: Percent)

Financial Ratio	Consolidated Financial Statements		
	2016	2017	2018
<b>Profitability Ratio</b>			
Gross Profit Margin <sup>(A)</sup>	78.2	79.2	78.0
Net Profit Margin	26.2	21.9	24.7
Return on Equity	13.2	10.2	10.6
Yield <sup>(B)</sup>	4.5	4.3	4.3
Cost of Funds <sup>(C)</sup>	1.3	1.2	1.2
Spread	3.2	3.1	3.1
Return on Investment	2.9	3.4	3.5
<b>Efficiency Ratio</b>			
Net Interest Margin <sup>(D)</sup>	3.3	3.3	3.3
Return on Assets	1.5	1.2	1.3
Asset Turnover Ratio (times)	0.06	0.05	0.05
<b>Financial Ratio</b>			
Liabilities to Equity (times)	7.7	7.2	7.3
Loans to Borrowing	88.8	91.5	91.5
Loans to Deposits	94.6	96.0	95.9
Deposits to Liabilities	72.0	74.8	72.9
Dividend Payout Ratio	n.a.	n.a.	n.a.
Capital Adequacy Ratio	18.8	18.0	18.3
<b>Asset Quality Ratio</b>			
Allowances for Doubtful Accounts to Loans	5.0	5.7	6.2
Bad Debts to Loans	0.6	1.0	0.5
Non-Performing Loans to Total Loans <sup>(E)</sup>	3.3	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 criteria



#### **14. Management Discussion and Analysis**

In 2018, the overall Thai economy maintained its growth due largely to healthier growth of exports and tourism, especially in the first half of the year. Meanwhile, the government continued to implement measures to promote and strengthen the domestic economy through support of investment and private spending as well as bolstering opportunities for other economic sectors. Nonetheless, protectionism triggered by the US-China trade dispute dealt a blow to global economic activity, thus dampening Thai economic growth during the second half of the year. Other challenges included volatile foreign exchange movement and international capital flows as well as the rapid evolution of digital technology, which has shaped a new trend of consumption amid intensified borderless business competition via digital channel.

To brace for these numerous challenges, KBank prioritizes the leveraging of our strength as Thailand's number-one digital banking provider, with the aim of becoming the Customers' Life Platform of Choice under our core strategy of Customer Centricity for our business operation in 2018 and over the next five years in order to deliver an excellent customer experience. Meanwhile, we have upgraded our technological capability in order to act as a digital platform provider for both financial and non-financial services, as we continue to gear up for being "The Bank of AEC+3" along with being a Regional Digital Bank. We have established our business direction primarily by considering the balance of three dimensions – economy, society and environment – under good corporate governance, appropriate risk management and effective cost management. Along with this, we have prioritized the enhancement of our business capabilities to achieve sustainable growth and maintain our market leadership over the long term through collaboration and synergy with other companies within KASIKORNBANK FINANCIAL CONGLOMERATE, Muang Thai Life Assurance Public Company Limited and our strategic partners.

Being aligned with our business strategies for 2018, KBank and subsidiaries thus reported Baht 38,459 million in net profit, increasing Baht 4,121 million or 12.00 percent compared to the year before. The increase was mainly due to a decrease of Baht 9,278 million or 22.19 percent in allowance for impairment loss on loans, in line with our improved asset quality. Moreover, net interest income rose Baht 4,377 million or 4.65 percent, which was derived mainly from interest income from both loans and investments. Non-interest income decreased Baht 5,750 million or 9.17 percent, due largely to cancellation of fees for funds transfer via digital channels, and decrease in net premiums earned - net, while revenue from money market product increased from foreign exchange transaction. Moreover, other operating expenses increased Baht 1,976 million or 2.98 percent over-year, due mainly to marketing expenses.

Meanwhile, KBank's net interest margin (NIM) was at 3.39 percent, which was within the set target, and cost-to-income ratio was also close to the target, at 43.96 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 according to the Basel III Accord was 18.32 percent, with a Tier 1 capital ratio of 15.90 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 has developed investment technologies plus varied functions in alignment with investor behavior in the digital era. KASIKORN ASSET MANAGEMENT CO., LTD. remained at the top of the mutual fund business. KASIKORN LEASING CO., LTD. saw satisfactory lending business volume in line with the overall domestic automotive industry while also maintaining healthy asset quality. Meanwhile, KASIKORN FACTORY & EQUIPMENT CO., LTD. enjoyed continually high loan growth. In addition, Muang Thai Life Assurance PCL retained its leadership in the bancassurance business, holding the second largest market share in total premiums.

To secure our status as a leading financial institution which can efficiently cope with potential economic uncertainties, KBank emphasizes predictive integrated risk management (IRM) through the establishment of comprehensive risk management principles and policies, a risk-aware culture Bank-wide, as well as good corporate governance. 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 2018.

### Operating Performance

KBank's consolidated net profit for 2018 totaled Baht 38,459 million, increasing Baht 4,121 million or 12.00 percent. The increase was mainly due to a decrease of Baht 9,278 million or 22.19 percent in allowance for impairment loss on loans in line with our improved asset quality. Moreover, net interest income rose Baht 4,377 million or 4.65 percent, which was derived mainly from interest income from loan and interest income from investments. Non-interest income decreased Baht 5,750 million or 9.17 percent due largely to cancellation of fees for funds transfer via digital channels and decrease in net premiums earned-net whereas income from money market products rose as a result of foreign exchange transactions. Other operating expenses also increased Baht 1,976 million or 2.98 percent over-year, due mainly to marketing expenses.

### Operating Performance for 2018

	2018	2017	(Unit: Million Baht)	
			Change	
			Million Baht	Percent
Net Interest Income	98,538	94,161	4,377	4.65
Non-Interest Income	56,945	62,695	(5,750)	(9.17)
Total Operating Income - net	155,483	156,856	(1,373)	(0.88)
Total Other Operating Expenses	68,348	66,372	1,976	2.98
Impairment Loss on Loans and Debt Securities	32,532	41,810	(9,278)	(22.19)
Net Profit (attributable to equity holders of KBank)	38,459	34,338	4,121	12.00
Basic Earnings per Share (Baht)	16.07	14.35	1.72	12.00

Major financial ratios that reflected operating performance of KBank and our subsidiaries in 2018 and 2017 are as follows:

Financial Ratio	2018	2017	(Unit: Percent)	
			Change	
Return on Assets (ROA)	1.27	1.20	0.07	
Return on Equity (ROE)	10.61	10.24	0.37	
Net Interest Margin (NIM)	3.39	3.44	(0.05)	
Non-Interest Income to Average Assets	1.88	2.18	(0.30)	
Non-Interest Income Ratio	36.62	39.97	(3.35)	
Cost to Income Ratio	43.96	42.31	1.65	
Net NPLs to Total Loans	1.89	1.85	0.04	
Gross NPLs to Total Loans	3.34	3.30	0.04	
Coverage Ratio	160.60	148.45	12.15	
Loans <sup>1)</sup> to Deposits Ratio	95.94	95.96	(0.02)	
Capital Adequacy Ratio <sup>2)</sup>	18.32	17.96	0.36	
Tier 1 Capital Ratio <sup>2)</sup>	15.90	15.66	0.24	

<sup>1)</sup> Loans refer to loans to customers less deferred revenue.

<sup>2)</sup> KASIKORNBANK FINANCIAL CONGLOMERATE's Capital Adequacy Ratio (CAR)



### Net Interest Income

KBank's consolidated net interest income for 2018 was Baht 98,538 million, increasing Baht 4,377 million or 4.65 percent over-year, due mainly to rising interest income from loan in line with growth of average loan and interest income from investments. Meanwhile, interest expenses increased due largely to expenses from deposit interest in line with rising average deposits. Our NIM for 2018 equaled 3.39 percent, lower than the previous year, which was in line with the set target.

(Unit: Million Baht)

	2018	2017	Change	
			Million Baht	Percent
<b>Interest Income</b>				
<b>Interbank and Money Market Items</b>	<b>7,197</b>	<b>7,011</b>	<b>186</b>	<b>2.66</b>
Deposits	818	1,068	(250)	(23.44)
Loans without Repurchase Agreements	635	483	152	31.60
Repurchase Agreements	5,744	5,460	284	5.20
<b>Investments</b>	<b>18,192</b>	<b>16,820</b>	<b>1,372</b>	<b>8.16</b>
Trading Investments	244	262	(18)	(6.99)
Available-for-Sale Investments	2,822	2,719	103	3.78
Held-to-Maturity Investments	15,126	13,839	1,287	9.30
<b>Loans</b>	<b>93,246</b>	<b>90,434</b>	<b>2,812</b>	<b>3.11</b>
<b>Hire Purchase and Finance leases</b>	<b>5,273</b>	<b>5,059</b>	<b>214</b>	<b>4.23</b>
<b>Others</b>	<b>14</b>	<b>13</b>	<b>1</b>	<b>3.39</b>
<b>Total Interest Income</b>	<b>123,922</b>	<b>119,337</b>	<b>4,585</b>	<b>3.84</b>
<b>Total Interest Expenses</b>	<b>25,384</b>	<b>25,176</b>	<b>208</b>	<b>0.83</b>
<b>Total Interest Income – net</b>	<b>98,538</b>	<b>94,161</b>	<b>4,377</b>	<b>4.65</b>
Yield on Earning Assets (percent)	4.27	4.37		(0.10)
Cost of Fund (percent)	1.19	1.22		(0.03)
<b>Net Interest Margin (NIM) (percent)</b>	<b>3.39</b>	<b>3.44</b>		<b>(0.05)</b>

### Non-Interest Income

For 2018, KBank's consolidated non-interest income totaled Baht 56,945 million, decreasing Baht 5,750 million, or 9.17 percent over-year, which was close to the set target. The decrease was due mainly to cancellation of fees for funds transfer via digital channels and decrease in net premiums earned - net. Meanwhile, income from money market products rose as a result of foreign exchange transactions. Non-interest income ratio of KBank and our subsidiaries stood at 36.62 percent due to decrease in non-interest income whereas net interest income rose.



(Unit: Million Baht)				
	2018	2017	Change	
			Million Baht	Percent
<b>Non-Interest Income</b>				
Fees and Service Income	51,187	51,757	(570)	(1.10)
Fees and Service Expenses	13,070	10,451	2,619	25.05
<b>Fees and Service Income – net</b>	<b>38,117</b>	<b>41,306</b>	<b>(3,189)</b>	<b>(7.72)</b>
Gain on Trading and Foreign Exchange Transactions	9,003	8,411	592	7.05
Loss on Financial Liabilities Designated at Fair Value through Profit or Loss	-	(2)	2	100.00
Gain on Investments	2,652	3,491	(839)	(24.02)
Share of Profit from Investments using Equity Method	50	158	(108)	(68.56)
Dividend Income	2,118	1,991	127	6.37
Net Premiums Earned - net	91,434	99,786	(8,352)	(8.37)
Other Operating Income	1,468	1,405	63	4.46
Less Underwriting Expenses	87,897	93,851	(5,954)	(6.34)
<b>Total Non-Interest Income</b>	<b>56,945</b>	<b>62,695</b>	<b>(5,750)</b>	<b>(9.17)</b>
<b>Non-Interest Income to Average Assets (percent)</b>	<b>1.88</b>	<b>2.18</b>		<b>(0.30)</b>
<b>Non-Interest Income Ratio (percent)</b>	<b>36.62</b>	<b>39.97</b>		<b>(3.35)</b>
<b>Net Fee Income to Net Total Operating Income Ratio (percent)</b>	<b>24.52</b>	<b>2,526.33</b>		<b>(1.81)</b>

### Other Operating Expenses

KBank's consolidated other operating expenses for 2018 was Baht 68,348 million, rising Baht 1,976 million, or 2.98 percent over-year. The increase was due mainly to increased marketing expenses. Our cost to income ratio of 2018 was thus equal to 43.96 percent, higher than 42.31 percent in the previous year, which was better than the set target.

(Unit: Million Baht)				
	2018	2017	Change	
			Million Baht	Percent
Employee Expenses	31,369	31,008	361	1.17
Directors' Remuneration	143	140	3	2.44
Premises and Equipment Expenses	12,649	12,917	(268)	(2.08)
Taxes and Duties	4,868	4,525	343	7.57
Others	19,319	17,782	1,537	8.64
<b>Total Other Operating Expenses</b>	<b>68,348</b>	<b>66,372</b>	<b>1,976</b>	<b>2.98</b>
<b>Cost to Income Ratio (percent)</b>	<b>43.96</b>	<b>42.31</b>		<b>1.65</b>

### Impairment Loss on Loans and Debt Securities

#### — 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, 2018, 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	1,783,072	1	5,743
Special Mention	36,396	2	151
Sub-Standard	18,614	100	8,093
Doubtful	23,740	100	10,418
Doubtful of Loss	32,075	100	14,067
Loss	-		-
<b>Total</b>	<b>1,893,897</b>		<b>38,472</b>
Revaluation Allowance for Debt Restructuring			1,796
<b>Total</b>	<b>1,893,897</b>		<b>40,268</b>
Excess Allowance			78,952
Credit Balance Transaction	2,104		-
Loans from Life Insurance Business	21,458		265
<b>Total</b>	<b>1,917,459</b>		<b>119,485</b>

As of December 31, 2018, KBank's consolidated allowance for doubtful accounts, comprising allowance for doubtful accounts of customers and financial institutions of Baht 117,689 million and revaluation allowance for debt restructuring of Baht 1,796 million, totaled Baht 119,485 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 2018, KBank and our subsidiaries set aside impairment loss on loans and debt securities at Baht 32,532 million, a decrease of Baht 9,278 million or 22.19 percent over-year in line with our improved asset quality. Thus our credit cost for 2018 stood at 1.75 percent, lower than 2.39 percent in the previous year.

**Impairment Loss on Loans and Debt Securities**

(Unit: Million Baht)

	2018	2017	Change	
			Million Baht	Percent
Impairment Loss on Loans and Debt Securities	32,532	41,810	(9,278)	(22.19)
Credit Cost (percent)	1.75	2.39		(0.64)

**Allowance for Doubtful Accounts and Revaluation Allowance for Debt Restructuring**

As of December 31, 2018, KBank's consolidated allowance for doubtful accounts and revaluation allowance for debt restructuring totaled Baht 119,485 million. This amount was equivalent to 296.73 percent of the level required by the Bank of Thailand.

## — Non-Performing Loans and Debt Restructuring

### *Non-Performing Loans*

As of December 31, 2018, KBank's consolidated NPLs stood at Baht 74,400 million, 3.34 percent of the total outstanding credit, including that of financial institutions. Bank-only NPLs totaled Baht 72,346 million, 3.31 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, 2018	Dec. 31, 2017
Consolidated NPLs		74,400	69,674
Percent of total outstanding credit, including that of financial institutions		3.34	3.30
Bank-only NPLs		72,346	67,624
Percent of total outstanding credit, including that of financial institutions		3.31	3.25

### *Net Non-Performing Loans*

As of December 31, 2018, KBank's consolidated net NPLs stood at Baht 41,431 million – 1.89 percent of the total outstanding credit, including that of financial institutions. Bank-only net NPLs totaled Baht 40,769 million – 1.89 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, 2018	Dec. 31, 2017
Consolidated net NPLs		41,431	38,570
Percent of total outstanding credit, including that of financial institutions		1.89	1.85
Bank-only net NPLs		40,769	37,834
Percent of total outstanding credit, including that of financial institutions		1.89	1.84

### *Debt Restructuring*

As December 31, 2018, KBank's consolidated restructured debts which incurred losses totaled Baht 69,605 million, increasing by Baht 7,365 million, or 11.83 percent when compared to 2017.

### *Foreclosed Properties*

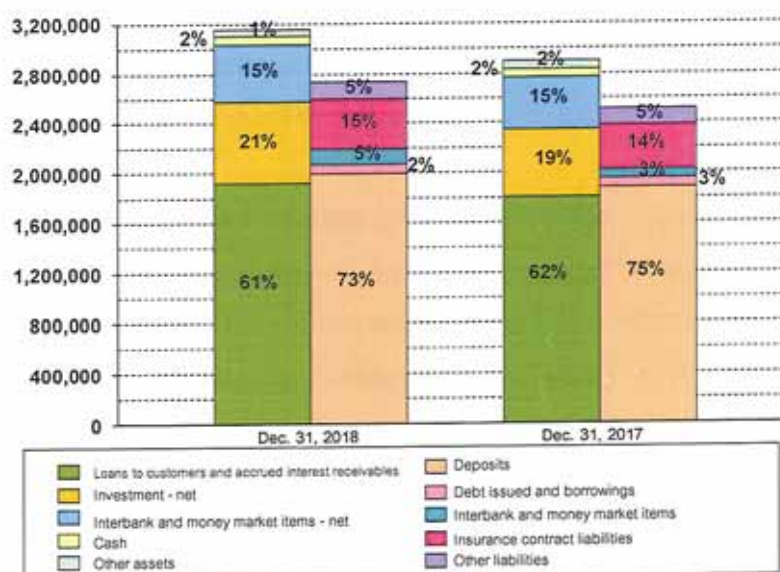
As of December 31, 2018, our consolidated foreclosed properties had a cost value of Baht 24,850 million, thus being 0.79 percent of total assets, and allowance for impairment on foreclosed properties stood at Baht 2,637 million, equivalent to 10.61 percent of the cost value of those foreclosed properties, 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)



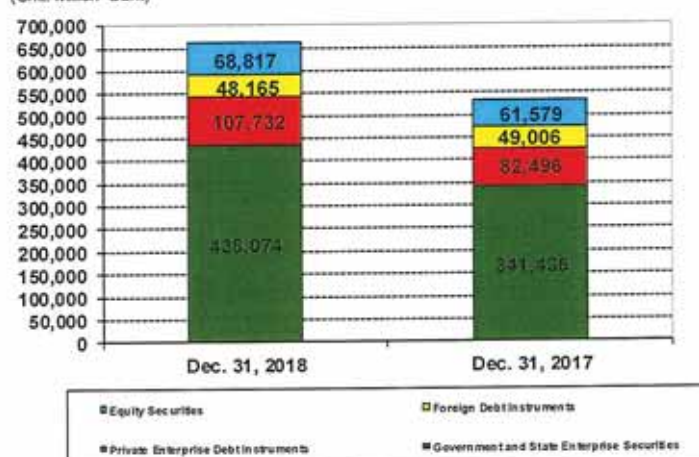
## Assets

At the end of 2018, KBank's consolidated assets totaled Baht 3,155,091 million, increasing Baht 254,250 million or 8.76 percent from the end of 2017. The rise was due mainly to increased investments, loans to customers and net interbank and money market items (assets). Key details are as follows:

- Net investments totaled Baht 661,655 million at the end of 2018, increasing by Baht 126,095 million or 23.54 percent from the end of 2017 due mainly to rising investment in government bonds.
- Our consolidated loans (less deferred revenue) at the end of 2018 amounted to Baht 1,914,072 million, increasing by Baht 111,289 million or 6.17 percent from the end of 2017. Loan growth was in line with the set target. Most increases were seen in commercial loan and housing loan. Our consolidated loans were the fourth-largest among Thai commercial banks.
- Net interbank and money market items (assets) totaled Baht 461,987 million at the end of 2018, increasing by Baht 35,895 million or 8.42 percent from the end of 2017, due mainly to KBank's liquidity management.

## Investments in Securities

(Unit: Million Baht)



### Liabilities and Equity

Our consolidated liabilities, at the end of 2018 amounted to Baht 2,737,269 million, which rose Baht 224,250 million or 8.92 percent from the end of 2017. The increase was mainly attributable to increased deposits, interbank and money market items (liabilities) and insurance contract liabilities. Significant changes in our consolidated liabilities included:

- Deposits at the end of 2018 equaled Baht 1,995,001 million, increasing Baht 116,329 million or 6.19 percent from the end of 2017, mainly as a result of increase in savings and fixed-term deposits. KBank's deposits ranked the fourth-largest among Thai commercial banks.
- Insurance contract liabilities at the end of 2018 were Baht 410,748 million, an increase of Baht 47,233 million or 12.99 percent from the end of 2017, in line with the growth in life insurance business.
- Interbank and money market items (liabilities) at the end of 2018 equaled Baht 128,003 million, increasing Baht 58,714 million or 84.74 percent from the end of 2017, due largely to increase in private REPO transactions.

At the end of 2018, total equity attributable to equity holders of KBank amounted to Baht 376,298 million, rising by Baht 27,673 million or 7.94 percent from the end of 2017, largely driven by net operating profit for 2018 at Baht 38,459 million despite the interim dividend payment from net profit for the first half of 2018 that was made in September 2018, totaling Baht 1,197 million.

### Relationship between Sources and Uses of Funds

As of December 31, 2018, the funding structure as shown in the consolidated financial statement comprised Baht 2,737,269 million in liabilities and Baht 417,822 million in total equity, resulting in a debt-to-equity ratio of 6.55. The main source of funds on the liabilities side was deposits, which equaled Baht 1,995,001 million, or 63.23 percent of the total source of funds, as of December 31, 2018. Other sources of funds included interbank and money market items as well as debt issued and borrowings, which accounted for 4.06 percent and 2.24 percent of the total, respectively.

KBank's and subsidiaries' major use of funds was loans less deferred revenue, which as of December 31, 2018, amounted to Baht 1,914,072 million, resulting in loan-to-deposit ratio and loan-to-deposit plus bills of exchange ratio of 95.94 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, 2018	Percent	Dec. 31, 2017	Percent	Dec. 31, 2018	Percent	Dec. 31, 2017	Percent
≤ 1 Year	1,972,597	98.88	1,858,490	98.93	842,675	44.03	786,318	43.62
> 1 - 5 Years	22,404	1.12	20,182	1.07	493,864	25.80	479,836	26.61
> 5 Years	-	-	-	-	577,533	30.17	536,629	29.77
<b>Total</b>	<b>1,995,001</b>	<b>100.00</b>	<b>1,878,672</b>	<b>100.00</b>	<b>1,914,072</b>	<b>100.00</b>	<b>1,802,783</b>	<b>100.00</b>

As of December 31, 2018, 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 2018, the Bank and its subsidiaries' cash were Baht 66,740 million, decreased by Baht 1,085 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 151,398 million which was mainly from Baht 86,905 million of operating profit before changes in operating assets and liabilities and changes in significant operating assets and liabilities consisting of Baht 116,822 million of increase in deposits, Baht 58,549 million of increase in interbank and money market items (liabilities) and Baht 45,535 million of increase in other liabilities, while there were Baht 135,333 million of increase in loans to customers and Baht 38,112 million of increase in interbank and money market items (assets).
- Net cash used in investing activities were Baht 142,904 million which was mainly from Baht 313,383 million of purchase of available-for-sale investments and Baht 87,825 million of purchase held-to-maturity debt instruments, while there were Baht 210,040 million of proceeds from disposal of available-for-sale investments and Baht 55,298 million of proceeds from redemption of held-to-maturity debt instruments.
- Net cash used in financing activities were Baht 9,577 million which was mainly from Baht 16,292 million of repayment of long-term debts issued and borrowings and Baht 9,573 million of dividend paid to shareholders, while there was Baht 17,233 million of proceeds from long-term debts issued and borrowings.

### Contingent Liabilities and Commitments

Contingent liabilities and commitments of the Bank and its subsidiaries consisted of:

(Unit : Million Baht)

Contingent Liabilities and Commitments	31 Dec 18	31 Dec 17	31 Dec 16
Avals to bills and guarantees of loans	14,287	18,723	24,406
Liability under unmatured import bills	33,729	29,786	26,173
Letters of credit	38,945	32,617	28,112
Other contingencies	630,685	632,140	592,803
<b>Total</b>	<b>717,646</b>	<b>713,266</b>	<b>671,494</b>

### Loans and Deposits

#### Loans

As of December 31, 2018, KBank's consolidated outstanding loans stood at Baht 1,914,072 million, increasing by Baht 111,289 million, or 6.17 percent, compared to Baht 1,802,783 million at the end of 2017.

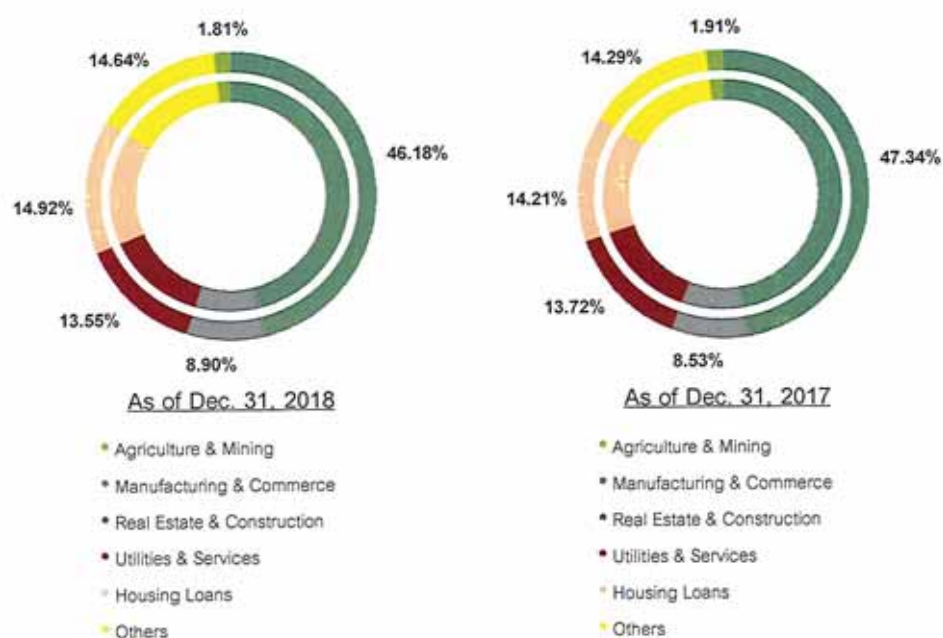
As of December 31, 2018, 60.65 percent of KBank's outstanding loans were made to juristic persons or registered businesses. Loan account exceeding Baht 20 million totaled Baht 1,116,170 million, or 59.75 percent of the total; 40.25 percent were loans under Baht 20 million. As for maturities, credit with maturities of less than or equal to one year accounted for 43.46 percent of our total loans.



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



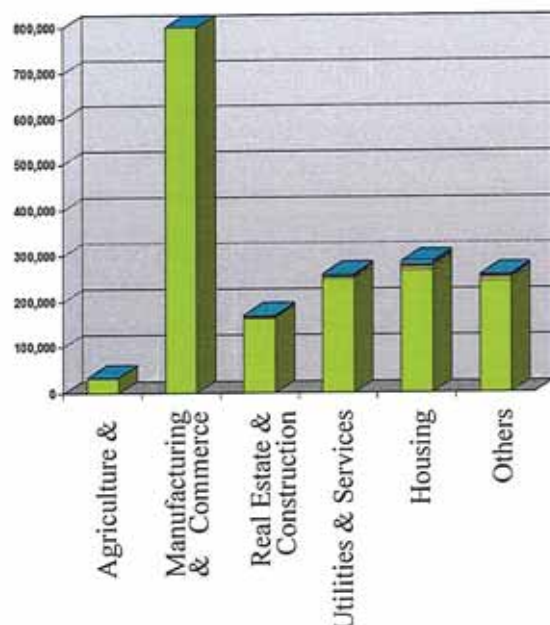
### KBank's Consolidated Lending Portfolio



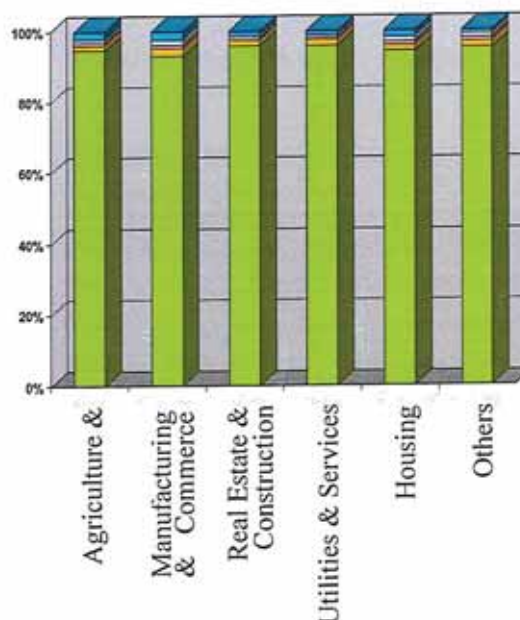
As of Dec. 31, 2018

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

Unit: Million



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



■ Norma    ■ Special Mention    ■ Sub-standard    ■ Doubtful    ■ Doubtful of Loss

Within KBank's consolidated lending portfolio, 94.51 percent were classified as "Normal" loans. When sub-divided by type of business, Manufacturing & Commerce represented the highest share of total consolidated lending at 46.18 percent; of that 92.95 percent were classified as "Normal" loans.

### Loans Classified by Business

(Unit: Million Baht)

	Dec. 31, 2018		Dec. 31, 2017	
	Corporate Business <sup>1)</sup>	Retail Business <sup>2)</sup>	Corporate Business <sup>1)</sup>	Retail Business <sup>2)</sup>
Loans	1,344,381	487,632	1,271,411	443,779

Notes: <sup>1)</sup> "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.

<sup>2)</sup> "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.

As of the end of 2018, our corporate business loans (Corporate and SME customers) increased by Baht 72,970 million, or 5.74 percent, from the end of 2017. The increase was derived from real estate, construction and commerce, which was in line with Thai economic growth, as reflected by improvements in employment, non-farm income and consumer confidence.

Our retail loans grew Baht 43,853 million, or 9.88 percent, over-year. The growth was quite satisfactory. We continued with a cautious growth policy so as to maintain our loan quality as well as our market leadership in major loan products, especially home loans. KBank worked with our business partners to launch special interest rate campaigns for all groups of customers seeking to refinance their mortgage, or purchase a new or pre-owned home, while also expanding our market in

strategic provinces and offering loan services online. For K-Personal Loan, we still focused on expanding the service via the K PLUS application, with the use of a machine learning program for customer data analyses. At the same time, campaigns for K-Personal Loan and K-Express Cash were launched to attract potential customers. In addition, we introduced new credit cards along with ongoing campaigns to promote greater spending via the cards, catering to all aspects of their lives.

## Deposits

### Deposits Classified by Type of Deposit Account

	Percent of Total Deposits	Deposits		Change	
		Dec. 31, 2018	Dec. 31, 2017	Million Baht	Percent
<b>Total Deposits</b>	<b>100.00</b>	<b>1,995,001</b>	<b>1,878,672</b>	<b>116,329</b>	<b>6.19</b>
Current accounts	5.86	116,957	108,468	8,489	7.83
Savings accounts	72.01	1,436,615	1,372,947	63,668	4.64
Fixed-term deposit accounts	22.13	441,429	397,257	44,172	11.12

At the end of 2018, total deposits of both Corporate Business and Retail Business increased Baht 116,329 million, or 6.19 percent, compared to the end of 2017. This was line with our policy for management of deposits, which must be kept at levels appropriate for loan demand and competition. We could maintain savings accounts at a high level with the launch of K-eSavings Account via K PLUS in order to meet customers' needs for savings and convenience in account opening, as well as Basic Banking Account for small depositors in response to government policy. Meanwhile, we introduced special fixed-term deposit products in alignment with the needs of customers seeking such options for saving their money, resulting in an increase in fixed-term deposit accounts. In parallel, we offered other investment vehicles – especially a myriad of life insurance and mutual fund products – yielding attractive returns with an acceptable risk appetite to meet the needs of all customer groups.

## Treasury Operations

### Treasury Operations

For most of 2018, average overnight interbank lending rates stayed at 1.46 percent p.a. However, the MPC meeting resolved to hike the key policy rate by 0.25 percent to 1.75 percent p.a. on December 19, 2018, increasing overnight interbank lending rates to 1.71 percent p.a., on average.

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 2018, our liquidity position was appropriately managed, and we were able to maintain returns on investments by reducing our holding of short-term bonds, returns of which were lower than the policy rate. In addition, KBank invested in top-rated 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	2018	2017	Change	
				Million Baht	Percent
<b>Interest income<sup>1)</sup></b>					
Interbank and money market items <sup>2)</sup>	68.51	6,426	6,282	144	2.29
Investments	31.49	2,953	3,153	(200)	(6.34)
<b>Total</b>	<b>100.00</b>	<b>9,379</b>	<b>9,435</b>	<b>(56)</b>	<b>(0.59)</b>

Notes: <sup>1)</sup> Managerial figures<sup>2)</sup> Including loans

During 2018, total interest income stood at Baht 9,379 million, decreasing by Baht 56 million, being 0.59 percent lower than in 2017 due to lower 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, 2018, our deposits at the Bank of Thailand and cash at cash center averaged Baht 40,155 million, accounting for 1.05 percent of total deposit and certain types of borrowings.

**Operating Performance of K Companies and Muang Thai Life Assurance PCL****Operating Performance of K Companies<sup>\*</sup> and Muang Thai Life Assurance PCL**

(Unit: Million Baht)

	Performance Measurement	2018	2017
KASIKORN ASSET MANAGEMENT CO., LTD. (KAsset)	Assets under Management	1,379,736	1,302,686
	Market Share (Percent)	19.23	18.72
KASIKORN SECURITIES PCL (KSecurities)	Trading Volume	739,327	811,883
	Market Share (Percent)	2.98	3.71
KASIKORN LEASING CO., LTD. (KLeasing)	Loans	108,081	97,055
KASIKORN FACTORY AND EQUIPMENT CO., LTD. (KF&E)	Loans	20,377	17,633
Muang Thai Life Assurance PCL (MTL)	Net Premiums Earned	94,467	102,681
	Market Share (Percent)	15.06	17.06

Note: <sup>\*</sup> KResearch is not included, since this company does not engage in financial business.

During 2018, 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 20.48 percent. Total market share of assets under management (AUM) was 19.23 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 European Small Cap Equity Fund (K-EUSMALL) as an option for investors seeking to invest in small European stocks, and K Guaranteed 5 Years A Fund (KGT5YA), Thailand's first and only fund that guarantees the full investment amount. The company also continually developed K-My Funds – an electronic service channel via mobile application that provides customers greater

convenience when doing transactions, while also allowing us to more effectively communicate with them, especially in giving advice on investment in funds designed to suit different risk appetites, plus a distinctive feature that clearly displays return on investment. Moreover, various investment tools were offered such as Fund Story – a newly-developed tool for searching fund data to help customers in their decision-making and keeping track of price movements and historical rates of return, with alert function, as well as My Message, which enables increased efficiency in investment with information updates suited to each investor, so that they never miss an investment opportunity. Moreover, K-My PVD – another electronic service channel via mobile application – has been further developed to provide greater convenience for provident fund members in setting up an effective investment and retirement plan.

Operating under business principles shared with KBank, KSecurities emphasizes development of excellent products and services, especially in research which have been made more timely, in-depth and precise, with broad coverage of all industries, securities trading services and investment banking, to be more responsive to investor needs and lifestyles. Along with this, investment technologies plus varied functions have been introduced in alignment with investor behavior in the digital era, including KS Super Stock Mobile Application, for which a new function was developed to allow customers to view performance of their investment in derivatives in addition to securities products. At the end of 2018, the company developed an online securities account opening system to facilitate customers in their transactions with reduced documentation process. Through these endeavors, KSecurities held a market share of 2.98 percent.

KLeasing's outstanding loans posted over-year growth of 11.36 percent, in line with the country's domestic auto sales growth. KLeasing enjoyed solid new loan growth, which was derived mainly from K-Auto Finance (Dealer Floorplan). Asset quality remained healthy with an NPL ratio of 1.32 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 for enhanced service experience.

KF&E, which specializes in equipment leasing, reported over-year loan growth of 15.60 percent. Loans were extended to diverse industries nationwide. The company focused on forging alliances with customers who are machinery dealers and those in new industries, including robotics and digital technologies. 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-two market share in total premiums at 15.06 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 Requirements**

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 Oversight Committee supervises risk management of the Conglomerate for enhanced efficiency. 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. Basel III places focus on higher minimum capital requirement. The Bank of Thailand 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 6.0 percent, respectively.
2. Capital Buffer : Beyond the minimum capital requirement, the Bank of Thailand 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 2.5 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 Systematically 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 2018, KASIKORNBANK FINANCIAL CONGLOMERATE, under the Basel III capital requirements, had capital funds of Baht 381,339 million, consisting of Baht 330,923 million in Tier-1 capital and Baht 50,416 million in Tier-2 capital. The capital adequacy ratio of KBank was 18.32 percent, which is above the Bank of Thailand's minimum requirement and conservation buffer of 10.375 percent. Details are shown in the following table.

#### Capital Adequacy Ratio<sup>1)</sup>

#### ➤ KASIKORNBANK FINANCIAL CONGLOMERATE<sup>2)</sup>

(Unit: Percent)

Capital Adequacy Ratio	Basel III						Dec. 31, 2017
	The BOT's regulation minimum requirement & Conservation Buffer <sup>4)</sup>	Dec. 31, 2018	Sep. 30, 2018	Jun. 30, 2018	Mar. 31, 2018	The BOT's regulation minimum requirement & Conservation Buffer <sup>4)</sup>	
Tier-1 Capital Ratio <sup>3)</sup>	7.875	15.90	16.50	15.57	15.41	7.25	15.66
Common Equity Tier-1 Ratio	6.375	15.90	16.50	15.57	15.41	5.75	15.66
Tier-2 Capital Ratio	-	2.42	2.46	2.48	2.29	-	2.30
Capital adequacy ratio	10.375	18.32	18.96	18.05	17.70	9.75	17.96



## ➤ The Bank

(Unit: Percent)

Capital Adequacy Ratio	The BOT's regulation minimum requirement & Conservation Buffer <sup>4)</sup>	Basel III				The BOT's regulation minimum requirement & Conservation Buffer <sup>4)</sup>	Dec. 31, 2017
		Dec. 31, 2018	Sep. 30, 2018	Jun. 30, 2018	Mar. 31, 2018		
Tier-1 Capital Ratio <sup>3)</sup>	7.875	14.75	15.26	14.43	14.38	7.25	14.62
Common Equity Tier-1 Ratio	6.375	14.75	15.26	14.43	14.38	5.75	14.62
Tier-2 Capital Ratio	-	2.51	2.55	2.56	2.57	-	2.58
Capital adequacy ratio	10.375	17.26	17.81	16.99	16.95	9.75	17.20

Note: <sup>1)</sup> Excluding net profit of each period, which under the Bank of Thailand's regulations, net profit in the first period is to be counted as capital after approval by the Board of Directors as per the Bank'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.

<sup>2)</sup> 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.

<sup>3)</sup> Tier 1 Capital is required to include phase-in or phase-out items at 20% per annum from 1 January 2014 onwards until reaching 100% in 2018.

<sup>4)</sup> Conservation buffer requires an additional Common Equity Tier 1 at 0.625% per annum from 1 January 2016 onwards until reaching 2.50% in 2019.

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

During 2018, we continued to implement Value-Based Management (VBM), which is a management practice comprising two main components, Corporate Value Creation and Corporate Governance. The VBM has been applied to business undertaking with the aim of achieving 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 value creation management.

### Credit Ratings

At the end of 2018, the Bank's credit rating given by Moody's Investors Service, Standard & Poor's, and Fitch Ratings remained unchanged from the end of 2017. Meanwhile, Moody's Investors Service assigned Counterparty Risk Ratings to 11 banks in Thailand, including KBank.



Details are shown in the following table.

### KASIKORNBANK's Credit Ratings

Credit Ratings Agency	Dec. 31, 2018
<b>Moody's Investors Service *</b>	
<u><b>Foreign Currency</b></u>	
Outlook	Stable
Long-term - Senior Unsecured Notes	Baa1
- Deposit	Baa1
- Counterparty Risk	Baa1
Short-term - Debt/Deposit	P-2
- Counterparty Risk	P-2
Baseline Credit Assessment	Baa2
<u><b>Domestic Currency</b></u>	
Outlook	Stable
Long-term - Deposit	Baa1
- Counterparty Risk	Baa1
Short-term - Debt/Deposit	P-2
- Counterparty Risk	P-2
<b>Standard &amp; Poor's*</b>	
<u><b>Global Scale Ratings</b></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+
<b>Fitch Ratings *</b>	
<u><b>International Credit Ratings (Foreign Currency)</b></u>	
Outlook	Stable
Long-term Issuer Default Rating	BBB+
Short-term Issuer Default Rating	F2
Senior Unsecured Notes	BBB+
Viability	bbb+
Support	2
Support Rating Floor	BBB-
<u><b>National Credit Ratings</b></u>	
Outlook	Stable
Long-term	AA+(tha)
Short-term	F1+(tha)
Subordinated Debt (Basel III-compliant Tier 2 securities)	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.