

Part 3

Financial Position and Operating Results

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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 2019, 2018 and 2017.

Summary of Independent Auditor's Report 2019

An auditor expressed an unqualified opinion on the consolidated financial statement and the Bank-only financial statement for the year ended 31 December 2019.

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 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		
	2019	2018	2017
ASSETS			
Cash	61,384,882	66,739,598	67,824,628
Interbank and money market items - net	385,940,044	461,987,288	426,092,013
Derivative assets	41,779,104	26,195,493	27,244,293
Investments - net	774,640,434	661,655,219	535,560,461
Investments in subsidiaries, associates and joint ventures - net	2,059,168	916,679	845,625
Loans to customers and accrued interest receivables - net			
Loans to customers	2,014,022,342	1,924,748,421	1,812,356,298
Accrued interest receivables	2,830,347	3,386,966	3,391,334
Total Loans to customers and accrued interest receivables	2,016,852,689	1,928,135,387	1,815,747,632
Less Deferred revenue	(12,066,732)	(10,675,722)	(9,573,329)
Less Allowance for doubtful accounts	(123,203,441)	(117,689,558)	(101,983,438)
Less Revaluation allowance for debt restructuring	(1,675,510)	(1,796,362)	(1,450,842)
Total Loans to customers and accrued interest receivables - net	1,879,907,006	1,797,973,745	1,702,740,023
Properties foreclosed - net	24,988,217	22,213,586	17,444,121
Premises and equipment - net	52,697,530	48,525,133	50,136,653
Goodwill and other intangible assets - net	23,477,175	24,089,024	24,588,621
Deferred tax assets	8,434,941	6,694,782	5,033,040
Other assets - net	38,580,488	38,100,262	43,331,296
Total Assets	3,293,888,989	3,155,090,809	2,900,840,774

KASIKORNBANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION (Continued)

Thousand Baht

	<i>Consolidated</i>		
	31 December		
	2019	2018	2017
LIABILITIES AND EQUITY			
Deposits	2,072,048,888	1,995,000,637	1,878,672,037
Interbank and money market items	81,628,362	128,003,006	69,288,567
Liabilities payable on demand	21,678,948	25,488,433	21,248,002
Derivative liabilities	30,244,242	21,739,574	25,401,388
Debts issued and borrowings	81,824,302	70,566,887	70,575,042
Provisions	29,292,247	24,489,636	25,399,890
Deferred tax liabilities	1,512,456	1,615,016	1,905,946
Insurance contract liabilities	446,094,859	410,747,873	363,514,612
Other liabilities	75,849,966	59,617,825	57,012,995
Total Liabilities	2,840,174,270	2,737,268,887	2,513,018,479
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	22,236,724	19,121,516	22,272,886
Retained earnings			
Appropriated			
Legal reserve	3,050,000	3,050,000	3,050,000
Unappropriated	339,035,179	312,090,325	281,266,529
Total Equity attributable to equity holders of the Bank	406,357,615	376,297,553	348,625,127
Non-controlling interests	47,357,104	41,524,369	39,197,168
Total Equity	453,714,719	417,821,922	387,822,295
Total Liabilities and Equity	3,293,888,989	3,155,090,809	2,900,840,774



KASIKORNBANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

Thousand Baht

	<i>The Bank</i>		
	31 December		
	2019	2018	2017
ASSETS			
Cash	61,350,977	66,702,497	67,787,380
Interbank and money market items - net	382,401,383	433,637,801	402,170,407
Derivative assets	38,108,237	25,253,216	26,968,912
Investments - net	270,321,656	224,815,062	146,556,016
Investments in subsidiaries, associates and joint ventures - net	30,519,624	30,575,493	28,626,861
Loans to customers and accrued interest receivables - net			
Loans to customers	1,947,368,860	1,868,154,453	1,763,235,477
Accrued interest receivables	2,067,756	2,733,672	2,854,752
Total Loans to customers and accrued interest receivables	1,949,436,616	1,870,888,125	1,766,090,229
Less Deferred revenue	(241,136)	(190,963)	(269,948)
Less Allowance for doubtful accounts	(118,939,013)	(113,848,883)	(98,647,092)
Less Revaluation allowance for debt restructuring	(1,668,325)	(1,789,986)	(1,438,533)
Total Loans to customers and accrued interest receivables - net	1,828,588,142	1,755,058,293	1,665,734,656
Properties foreclosed - net	24,900,232	22,095,753	17,341,587
Premises and equipment - net	42,394,517	38,463,014	40,382,757
Goodwill and other intangible assets - net	17,304,093	18,208,983	19,040,818
Deferred tax assets	6,505,708	4,431,038	4,311,438
Other assets - net	21,660,876	21,908,381	25,903,231
Total Assets	2,724,055,445	2,641,149,531	2,444,824,063

KASIKORNBANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION (Continued)

Thousand Baht

	<i>The Bank</i>		
	31 December		
	2019	2018	2017
LIABILITIES AND EQUITY			
Deposits	2,065,668,929	1,991,422,958	1,875,729,451
Interbank and money market items	90,337,364	136,452,344	82,253,026
Liabilities payable on demand	21,678,948	25,488,433	21,248,002
Derivative liabilities	31,548,047	22,010,827	25,396,449
Debts issued and borrowings	81,666,443	70,446,196	70,309,396
Provisions	27,235,020	22,834,534	23,946,396
Other liabilities	42,960,783	34,366,203	31,623,323
Total Liabilities	2,361,095,534	2,303,021,495	2,130,506,043
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	18,657,265	16,645,491	17,701,831
Retained earnings			
Appropriated			
Legal reserve	3,050,000	3,050,000	3,050,000
Unappropriated	299,216,934	276,396,833	251,530,477
Total Equity attributable to equity holders of the Bank	362,959,911	338,128,036	314,318,020
Total Liabilities and Equity	2,724,055,445	2,641,149,531	2,444,824,063

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		
	2019	2018	2017
Interest income	130,177,756	123,921,919	119,337,280
Interest expenses	27,489,916	25,384,411	25,176,274
Interest income - net	102,687,840	98,537,508	94,161,006
Fees and service income	50,579,982	51,186,823	51,757,099
Fees and service expenses	13,839,796	13,069,478	10,451,160
Fees and service income - net	36,740,186	38,117,345	41,305,939
Gain on trading and foreign exchange transactions	8,361,986	9,003,084	8,410,508
Loss on financial liabilities designated at fair value through profit or loss	-	-	(1,543)
Gain on investments	8,412,377	2,652,340	3,490,719
Share of profit from investments using equity method	44,079	49,539	157,553
Dividend income	2,816,764	2,117,832	1,990,986
Net premiums earned	80,489,512	91,434,083	99,786,124
Other operating income	1,591,716	1,468,024	1,405,295
Total operating income	241,144,460	243,379,755	250,706,587
Underwriting expenses	80,653,349	87,897,063	93,850,368
Total operating income - net	160,491,111	155,482,692	156,856,219
Other operating expenses			
Employee expenses	33,261,168	31,369,411	31,007,961
Directors' remuneration	158,743	143,221	139,813
Premises and equipment expenses	12,909,579	12,648,522	12,917,437
Taxes and duties	5,031,256	4,867,417	4,524,725
Others	21,368,500	19,319,098	17,782,014
Total other operating expenses	72,729,246	68,347,669	66,371,950
Impairment loss on loans and debt securities	34,011,648	32,532,200	41,810,044
Operating profit before income tax expense	53,750,217	54,602,823	48,674,225
Income tax expense	10,309,253	10,394,614	9,027,754
Net profit	43,440,964	44,208,209	39,646,471

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		
	2019	2018	2017
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss			
Gain (loss) on remeasurement of available-for-sale investments	2,600,266	(6,417,275)	4,963,142
(Loss) gain arising from translating the financial statements of a foreign operation	(198,573)	(353,479)	349,245
Income taxes relating to components of other comprehensive income	(502,173)	1,264,117	(988,680)
Items that will not be reclassified subsequently to profit or loss			
Changes in revaluation surplus	4,503,461	-	1,245,067
Actuarial (loss) gain on defined benefit plans	(2,979,080)	2,290,800	(712,071)
Income taxes relating to components of other comprehensive income	(326,508)	(454,466)	(106,166)
Total other comprehensive income	3,097,393	(3,670,303)	4,750,537
Total comprehensive income	46,538,357	40,537,906	44,397,008
Net profit attributable to :			
Equity holders of the Bank	38,726,742	38,459,116	34,338,246
Non-controlling interests	4,714,222	5,749,093	5,308,225
Total comprehensive income attributable to :			
Equity holders of the Bank	39,647,221	37,250,512	36,429,885
Non-controlling interests	6,891,136	3,287,394	7,967,123
Earnings per share of equity holders of the Bank			
Basic earnings per share (Baht)	16.18	16.07	14.35
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		
	2019	2018	2017
Interest income	107,766,846	103,099,060	101,477,204
Interest expenses	27,196,930	25,209,606	25,121,148
Interest income - net	80,569,916	77,889,454	76,356,056
Fees and service income	47,090,218	48,289,397	49,693,027
Fees and service expenses	13,581,783	12,751,251	9,997,537
Fees and service income - net	33,508,435	35,538,146	39,695,490
Gain on trading and foreign exchange transactions	8,620,243	8,845,731	8,403,927
Loss on financial liabilities designated at fair value through profit or loss	-	-	(1,543)
Gain on investments	6,660,873	1,228,899	2,325,606
Dividend income	5,706,898	3,877,313	3,854,412
Other operating income	3,044,293	2,748,994	3,219,991
Total operating income	138,110,658	130,128,537	133,853,939
Other operating expenses			
Employee expenses	24,395,262	22,645,594	23,020,704
Directors' remuneration	101,628	87,951	88,083
Premises and equipment expenses	12,969,360	12,537,303	12,762,507
Taxes and duties	4,412,611	4,270,705	3,995,905
Others	21,210,678	19,203,638	17,775,393
Total other operating expenses	63,089,539	58,745,191	57,642,592
Impairment loss on loans and debt securities	33,437,174	31,864,830	41,101,342
Operating profit before income tax expense	41,583,945	39,518,516	35,110,005
Income tax expense	7,138,292	6,955,977	5,923,348
Net profit	34,445,653	32,562,539	29,186,657

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		
	2019	2018	2017
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss			
(Loss) gain on remeasurement of available-for-sale investments	(1,753,305)	(1,133,364)	845,493
(Loss) gain arising from translating the financial statements of a foreign operation	(16,260)	(5,094)	203,653
Income taxes relating to components of other comprehensive income	351,718	226,778	(150,769)
Items that will not be reclassified subsequently to profit or loss			
Changes in revaluation surplus	4,503,461	-	-
Actuarial (loss) gain on defined benefit plans	(2,784,279)	2,167,191	(678,733)
Income taxes relating to components of other comprehensive income	(343,836)	(433,438)	135,747
Total other comprehensive income	(42,501)	822,073	355,391
Total comprehensive income	34,403,152	33,384,612	29,542,048
Earnings per share of equity holders of the Bank			
Basic earnings per share (Baht)	14.39	13.61	12.20
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		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit before income tax expense	53,750,217	54,602,823	48,674,225
Adjustments for			
Depreciation and amortisation	7,558,646	7,393,400	7,333,203
Bad debt and doubtful accounts	33,693,567	31,408,842	40,022,144
Loss on debt restructuring	3,454,177	3,406,050	2,997,811
Interest income from amortisation of revaluation allowance for debt restructuring	(1,461,412)	(847,387)	(1,046,005)
(Gain) Loss on foreign exchange translation of long-term borrowings	(29,168)	92,612	257,426
(Gain) Loss on revaluation of trading investments	(18,518)	359,736	(111,350)
Reversal of loss on impairment of investments	-	-	(53,858)
Gain on disposal of investments in securities	(8,412,377)	(2,651,692)	(3,435,057)
Gain on disposal of investments in associated companies	-	(648)	(1,889)
Loss on impairment of properties foreclosed	1,145,719	738,831	677,208
Loss on impairment of premises and equipment	81,218	131,456	471,848
Loss on impairment of other assets	147,663	-	-
Provision for other assets	252,918	221,330	237,151
(Gain) Loss on disposal of premises and equipment	(12,434)	4,669	(59,373)
Loss on write off of premises and equipment	9,866	18,828	144,161
Loss on write off of other assets	46,335	223,038	117,227
Reversal of loss on revaluation of premises	(39,748)	-	(10,612)
Share of profit from investments using equity method	(44,079)	(49,539)	(157,553)
	90,122,590	95,052,349	96,056,707
Interest income - net	(102,687,840)	(98,537,508)	(94,161,006)
Dividend income	(2,816,764)	(2,117,832)	(1,990,986)
Proceeds from interest	127,421,756	125,704,797	116,526,593
Interest paid	(26,536,168)	(24,186,416)	(25,163,012)
Proceeds from dividends	2,880,840	2,250,526	2,035,520
Income tax paid	(11,590,939)	(11,261,226)	(11,638,743)
Operating profit before changes in operating assets and liabilities	76,793,475	86,904,690	81,665,073

KASIKORNBANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS (Continued)

Thousand Baht

	<i>Consolidated</i>		
	For the year ended 31 December		
	2019	2018	2017
(Increase) Decrease in operating assets			
Interbank and money market items (assets)	70,082,444	(38,112,115)	(83,229,124)
Investments held for trading	2,913,148	4,164,079	(10,232,741)
Loans to customers	(123,618,491)	(135,333,394)	(136,330,285)
Properties foreclosed	3,651,381	3,176,627	2,236,770
Other assets	(17,956,383)	4,728,562	4,171,372
Increase (Decrease) in operating liabilities			
Deposits	78,005,771	116,821,809	83,969,885
Interbank and money market items (liabilities)	(44,756,951)	58,548,958	(88,928,202)
Liabilities payable on demand	(3,809,451)	4,240,449	1,402,009
Short-term debts issued and borrowings	37,168	(144,955)	93,081
Other accrued expenses	765,205	(511,571)	290,807
Provisions	1,823,531	1,380,546	2,193,407
Other liabilities	58,283,379	45,534,518	54,162,513
Net cash provided by (used in) operating activities	102,214,226	151,398,203	(88,535,435)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of available-for-sale investments	335,211,340	210,040,286	385,136,864
Proceeds from redemption of held-to-maturity debt instruments	64,125,877	55,298,456	53,387,775
Proceeds from disposal of general investments	84,650	36,634	82,561
Proceeds from disposal of investments in associated companies	190	893	8,119
Purchase of available-for-sale investments	(393,390,086)	(313,382,932)	(209,451,433)
Purchase of held-to-maturity debt instruments	(109,657,086)	(87,825,080)	(93,015,008)
Purchase of general investments	(570,351)	(2,219,724)	(729,867)
Purchase of investments in associated companies and joint venture	(1,186,957)	(136,415)	(8,533)
Proceeds from disposal of premises and equipment	32,354	26,158	130,863
Proceeds from disposal of intangible assets	104,111	-	-
Purchase of premises and equipment	(3,426,002)	(2,200,323)	(4,106,739)
Purchase of leasehold	(50,536)	(8,069)	(75,607)
Purchase of intangible assets	(2,740,371)	(2,533,873)	(3,498,982)
Net cash (used in) provided by investing activities	(111,462,867)	(142,903,989)	127,860,013

KASIKORNBANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS (Continued)

Thousand Baht

	<i>Consolidated</i>		
	For the year ended 31 December		
	2019	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term debts issued and borrowings	25,441,885	17,232,803	470,360
Repayment of long-term debts issued and borrowings	(10,922,330)	(16,292,321)	(22,065,869)
Proceeds from acquisition of non-controlling interests	175,000	-	75,001
Dividend paid to shareholders	(9,573,041)	(9,573,041)	(9,573,041)
Dividend paid to non-controlling interests	(1,221,466)	(944,710)	(988,985)
Net cash provided by (used in) financing activities	3,900,048	(9,577,269)	(32,082,534)
Effect of exchange rate changes on balances held in foreign currencies at the end of the year	(6,123)	(1,975)	(6,214)
Net (decrease) increase in cash	(5,354,716)	(1,085,030)	7,235,830
Cash at the beginning of the year	66,739,598	67,824,628	60,588,798
Cash at the end of the year	61,384,882	66,739,598	67,824,628

KASIKORNBANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS

Thousand Baht

	<i>The Bank</i>		
	For the year ended 31 December		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit before income tax expense	41,583,945	39,518,516	35,110,005
Adjustments for			
Depreciation and amortisation	6,656,414	6,568,869	6,501,442
Bad debt and doubtful accounts	33,003,193	30,610,080	39,192,832
Loss on debt restructuring	3,448,991	3,403,405	2,987,135
Interest income from amortisation of revaluation allowance for debt restructuring	(1,457,035)	(842,127)	(1,040,365)
(Gain) Loss on foreign exchange translation of long-term borrowings	(29,168)	92,612	257,426
Gain on revaluation of trading investments	(9,056)	(7,114)	(18,139)
Reversal of loss on impairment of investments	(60,000)	(110,000)	(143,858)
Gain on disposal of investments in securities	(6,600,874)	(1,118,899)	(2,265,289)
Loss on liquidation and redemption of subsidiaries	-	-	83,457
Loss on impairment of properties foreclosed	1,130,534	710,562	710,825
Loss on impairment of premises and equipment	81,218	131,456	471,848
Loss on impairment of other assets	147,663	-	-
Provision for other assets	252,918	221,330	237,122
Loss (Gain) on disposal of premises and equipment	3,302	12,186	(59,236)
Loss on write off of premises and equipment	8,575	18,125	135,707
Loss on write off of other assets	43,104	225,031	117,811
Reversal of loss on revaluation of premises	(39,748)	-	-
	78,163,976	79,434,032	82,278,723
Interest income - net	(80,569,916)	(77,889,454)	(76,356,056)
Dividend income	(5,706,898)	(3,877,313)	(3,854,412)
Proceeds from interest	106,570,592	106,920,226	99,175,975
Interest paid	(26,361,248)	(24,089,413)	(25,296,569)
Proceeds from dividends	5,709,445	3,876,802	3,852,737
Income tax paid	(7,609,540)	(6,984,098)	(7,870,949)
Operating profit before changes in operating assets and liabilities	70,196,411	77,390,782	71,929,449

KASIKORNBANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS (Continued)

Thousand Baht

	<i>The Bank</i>		
	For the year ended 31 December		
	2019	2018	2017
(Increase) Decrease in operating assets			
Interbank and money market items (assets)	46,867,465	(32,607,843)	(70,369,787)
Investments held for trading	3,523,515	3,388,136	(7,576,735)
Loans to customers	(114,334,525)	(128,834,086)	(121,912,862)
Properties foreclosed	3,165,080	2,678,610	1,771,482
Other assets	(13,558,188)	4,121,060	6,042,229
Increase (Decrease) in operating liabilities			
Deposits	74,355,701	115,728,952	77,458,169
Interbank and money market items (liabilities)	(45,052,160)	53,816,196	(85,497,050)
Liabilities payable on demand	(3,809,451)	4,240,449	1,402,009
Short-term debts issued and borrowings	-	-	(4,896)
Other accrued expenses	623,807	(445,504)	152,138
Provisions	1,616,207	1,055,329	1,943,954
Other liabilities	15,251,631	(1,929,634)	(4,482,029)
Net cash provided by (used in) operating activities	38,845,493	98,602,447	(129,143,929)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of available-for-sale investments	225,172,980	193,795,582	353,154,661
Proceeds from redemption of held-to-maturity debt instruments	45,648,959	45,567,835	47,231,800
Proceeds from disposal of general investments	84,650	24,000	77,731
Proceeds from capital decrease in subsidiary	60,000	110,000	240,000
Proceeds from liquidation and redemption of subsidiaries	-	-	677,491
Purchase of available-for-sale investments	(259,204,232)	(285,813,904)	(176,184,451)
Purchase of held-to-maturity debt instruments	(54,963,389)	(38,572,648)	(36,059,140)
Purchase of general investments	(124,722)	(382,173)	(688,687)
Purchase of investments in subsidiaries	(999,773)	(2,502,500)	(14,806,184)
Purchase of investments in associated companies	(160,962)	-	(8,533)
Proceeds from disposal of premises and equipment	9,703	11,348	128,494
Proceeds from disposal of intangible assets	104,111	-	-
Purchase of premises and equipment	(2,524,856)	(1,277,349)	(3,593,770)
Purchase of leasehold	(50,536)	(8,069)	(12,197)
Purchase of intangible assets	(2,192,364)	(2,006,088)	(2,597,901)
Net cash (used in) provided by investing activities	(49,140,431)	(91,053,966)	167,559,314

KASIKORNBANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS (Continued)

Thousand Baht

	<i>The Bank</i>		
	For the year ended 31 December		
	2019	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term debts issued and borrowings	25,441,885	17,232,803	470,360
Repayment of long-term debts issued and borrowings	(10,922,330)	(16,292,321)	(22,065,869)
Dividend paid to shareholders	(9,573,041)	(9,573,041)	(9,573,041)
Net cash provided by (used in) financing activities	4,946,514	(8,632,559)	(31,168,550)
Effect of exchange rate changes on balances held in foreign currencies at the end of the year	(3,096)	(805)	(1,209)
Net (decrease) increase in cash	(5,351,520)	(1,084,883)	7,245,626
Cash at the beginning of the year	66,702,497	67,787,380	60,541,754
Cash at the end of the year	61,350,977	66,702,497	67,787,380

KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

FINANCIAL RATIO

(Units: Percent)

Financial Ratio	Consolidated Financial Statements		
	2016	2017	2018
Profitability Ratio			
Gross Profit Margin ^(A)	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 ^(B)	4.5	4.3	4.3
Cost of Funds ^(C)	1.3	1.2	1.2
Spread	3.2	3.1	3.1
Return on Investment	2.9	3.4	3.5
Efficiency Ratio			
Net Interest Margin ^(D)	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
Financial Ratio			
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
Asset Quality Ratio			
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 ^(E)	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

Thai economy in 2019 showed decelerating growth at 2.4 percent compared to 4.2 percent in the previous year. The slowdown could be attributed to exports which contracted further due to the stronger Baht and a global economic slowdown. In addition, the investment environment of both the public and private sector remained weak, and private consumption, albeit growing steadily, slowed during the second half of the year. Meanwhile, the Thai economy in 2020 is expected to grow at a slower pace, likely to fall below the lower end of the projection range of 2.5-3.0 percent, beset by the COVID-19 outbreak, the global economic slowdown, delay in the implementation of 2020 Budget Act and drought. Furthermore, domestic spending may be limited due to weakening purchasing power and hefty household debt.

Apart from economic woes, businesses face numerous other challenges that have risen abruptly, especially the rapid evolution of digital technology, intensified effects of climate change, and regulatory changes in the financial business. To cope with these issues, most businesses have felt compelled to seek new business opportunities.

KASIKORNBANK has established our business directions on the foundation of a Bank of Sustainability, accounting for the balance of three dimensions – economy, society and environment – under good corporate governance, appropriate risk management and effective cost management. Guided by the Customer Centricity strategy and our resolution of delivering an excellent customer experience in order to empower every customer's life and business, we prioritize the offering of attentive and inclusive services as a trustworthy service provider. We can deliver a positive customer experience anywhere, anytime through collaboration and synergy with other companies within KASIKORNBANK FINANCIAL CONGLOMERATE, startups and our business partners under the single brand of KASIKORNBANK.

In alignment with our business strategies for 2019, KBank and subsidiaries thus reported Baht 38,727 million in net profit, increasing Baht 268 million or 0.70 percent compared to the year before. Net interest income increased by Baht 4,150 million or 4.21 percent due mainly to interest income from loans and investments. Net interest margin (NIM) therefore stood at 3.31 percent. Non-interest income also increased by Baht 858 million or 1.51 percent, derived mainly from revenue from sales of securities, while net premiums earned - net and fees and service income decreased. Moreover, other operating expenses increased by Baht 4,381 million or 6.41 percent, especially from branding campaigns and marketing activities in line with KBank's business direction. As a result, the cost to income ratio stood at 45.32 percent. KBank has set aside higher allowance for impairment loss on loans from the preceding year, with prudent consideration on factors in line with uncertainties stemming from the continued economic slowdown.

At the end of 2019, 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 19.62 percent, with a Tier 1 capital ratio of 16.19 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, driving the company to garner a greater market share. 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 third-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, while we also gained wide acceptance and recognition at home and abroad, as reflected in the numerous awards we received in 2019.

Operating Performance

KBank's consolidated net profit for 2019 totaled Baht 38,727 million, increasing Baht 268 million or 0.70 percent. Net interest income increased by Baht 4,150 million or 4.21 percent due mainly to interest income from loans and investments. NIM therefore stood at 3.31 percent. Non-interest income also increased by Baht 858 million or 1.51 percent, derived mainly from revenue from sales of securities while net premiums earned - net decreased. Likewise, fees and service income fell due to a waiver of fees for funds transfers via digital channels. Moreover, other operating expenses increased by Baht 4,381 million or 6.41 percent due mainly to branding campaigns and marketing activities in line with KBank's business direction. As a result, the cost to income ratio stood at 45.32 percent. KBank has set aside higher allowance for impairment loss on loans from the preceding year, with prudent consideration on factors in line with uncertainties stemming from continued economic slowdown.

Operating Performance for 2019

	2019	2018	(Unit: Million Baht)	
			Change	
			Increase (Decrease)	Percent
Net Interest Income	102,688	98,538	4,150	4.21
Non-Interest Income	57,803	56,945	858	1.51
Total Operating Income - net	160,491	155,483	5,008	3.22
Total Other Operating Expenses	72,729	68,348	4,381	6.41
Impairment Loss on Loans and Debt Securities	34,012	32,532	1,480	4.55
Net Profit (attributable to equity holders of KBank)	38,727	38,459	268	0.70
Basic Earnings per Share (Baht)	16.18	16.07	0.11	0.70

Major financial ratios that reflected operating performance of KBank and our subsidiaries in 2019 and 2018 are as follows:

Financial Ratio	2019	2018	(Unit: Percent)
			Change
Return on Assets (ROA)	1.20	1.27	(0.07)
Return on Equity (ROE)	9.90	10.61	(0.71)
Net Interest Margin (NIM)	3.31	3.39	(0.08)
Cost to Income Ratio	45.32	43.96	1.36
Net NPLs to Total Loans	2.45	1.89	0.56
Gross NPLs to Total Loans	3.65	3.34	0.31
Coverage Ratio	148.60	160.60	(12.00)
Loans ¹⁾ to Deposits Ratio	96.62	95.94	0.68
Capital Adequacy Ratio ²⁾	19.62	18.32	1.30
Tier I Capital Ratio ²⁾	16.19	15.90	0.29

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 2019 was Baht 102,688 million, increasing Baht 4,150 million or 4.21 percent over-year, due mainly to rising interest income from loan in line with average growth of loan and interest income from investments in line with an increase in average return and average investment. Meanwhile, interest expenses rose due to an increase in average deposit interest rates and average deposits. Our NIM for 2019 equaled 3.31 percent, lower than the previous year, which was in line with the set target even though the reference rate was lower than expected.

(Unit: Million Baht)

	2019	2018	Change	
			Increase (Decrease)	Percent
Interest Income				
Interbank and Money Market Items	6,390	7,197	(807)	(11.22)
Deposits	1,249	818	431	52.66
Loans without Repurchase Agreements	506	635	(129)	(20.26)
Repurchase Agreements	4,635	5,744	(1,109)	(19.31)
Investments	21,539	18,192	3,347	18.39
Trading Investments	395	244	151	61.80
Available-for-Sale Investments	4,707	2,822	1,885	66.79
Held-to-Maturity Investments	16,437	15,126	1,311	8.66
Loans	96,376	93,246	3,130	3.36
Hire Purchase and Finance leases	5,859	5,273	586	11.12
Others	14	14	-	1.05
Total Interest Income	130,178	123,922	6,256	5.05
Total Interest Expenses	27,490	25,384	2,106	8.29
Total Interest Income – net	102,688	98,538	4,150	4.21
Yield on Earning Assets (percent)	4.19	4.27		(0.08)
Cost of Fund (percent)	1.23	1.19		0.04
Net Interest Margin (NIM) (percent)	3.31	3.39		(0.08)

Non-Interest Income

For 2019, KBank's consolidated non-interest income totaled Baht 57,803 million, increasing Baht 858 million, or 1.51 percent over-year, which was better than the set target. The increase was due mainly to revenue from sales of securities. Meanwhile, net premiums earned – net decreased as a result of declining premiums in line with the insurance business slowdown. Likewise, net fees and service income fell due mainly to an impact from a waiver of funds transfer fee via digital channels and a decrease in fee from card business.

(Unit: Million Baht)				
	2019	2018	Change	
			Increase (Decrease)	Percent
Non-Interest Income				
Fees and Service Income	50,580	51,187	(607)	(1.19)
Fees and Service Expenses	13,840	13,070	770	5.89
Fees and Service Income – net	36,740	38,117	(1,377)	(3.61)
Gain on Trading and Foreign Exchange Transactions	8,362	9,003	(641)	(7.12)
Gain on Investments	8,412	2,652	5,760	217.17
Share of Profit from Investments using Equity Method	44	50	(6)	(11.02)
Dividend Income	2,817	2,118	699	33.00
Net Premiums Earned	80,489	91,434	(10,945)	(11.97)
Other Operating Income	1,592	1,468	124	8.43
Less Underwriting Expenses	80,653	87,897	(7,244)	(8.24)
Total Non-Interest Income	57,803	56,945	858	1.51

Other Operating Expenses

KBank's consolidated other operating expenses for 2019 was Baht 72,729 million, rising Baht 4,381 million, or 6.41 percent over-year. The increase was due mainly to branding campaigns and marketing activities in line with KBank's business direction and increased retirement reserve from the change in defined benefit plan according to our employment policy which is not related to labor law. Our cost to income ratio of 2019 was thus equal to 45.32 percent, higher than 43.96 percent in the previous year, which was within the set target.

(Unit: Million Baht)				
	2019	2018	Change	
			Increase (Decrease)	Percent
Employee Expenses	33,261	31,369	1,892	6.03
Directors' Remuneration	159	143	16	10.84
Premises and Equipment Expenses	12,910	12,649	261	2.06
Taxes and Duties	5,031	4,868	163	3.37
Others	21,368	19,319	2,049	10.61
Total Other Operating Expenses	72,729	68,348	4,381	6.41
Cost to Income Ratio (percent)	45.32	43.96		1.36

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, 2019, 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	1,839,131	1	5,729
Special Mention	56,035	2	217
Sub-Standard	23,075	100	9,218
Doubtful	23,068	100	8,223
Doubtful of Loss	37,931	100	10,886
Total	1,979,240		34,273
Revaluation Allowance for Debt Restructuring			1,676
Total			35,949
Excess Allowance			88,654
Credit Balance Transaction	1,693		-
Loans from Life Insurance Business	23,853		276
Total	2,004,786		124,879

As of December 31, 2019, KBank's consolidated allowance for doubtful accounts, comprising allowance for doubtful accounts of customers and financial institutions of Baht 123,203 million and revaluation allowance for debt restructuring of Baht 1,676 million, totaled Baht 124,879 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 2019, KBank and our subsidiaries set aside impairment loss on loans and debt securities at Baht 34,012 million, an increase of Baht 1,480 million or 4.55 percent over-year in line with our improved asset quality, with prudent consideration on factors in line with uncertainties stemming from continued economic slowdown. Thus our credit cost for 2019 stood at 1.74 percent, slightly lower than 1.75 percent in the previous year.

Impairment Loss on Loans and Debt Securities

(Unit: Million Baht)

	2019	2018	Change	
			Increase (Decrease)	Percent
Impairment Loss on Loans and Debt Securities	34,012	32,532	1,480	4.55
Credit Cost (percent)	1.74	1.75		(0.01)

Allowance for Doubtful Accounts and Revaluation Allowance for Debt Restructuring

As of December 31, 2019, KBank's consolidated allowance for doubtful accounts and revaluation allowance for debt restructuring totaled Baht 124,879 million. This amount was equivalent to 347.38 percent of the level required by the Bank of Thailand.

— Non-Performing Loans and Debt Restructuring

Non-Performing Loans

As of December 31, 2019, KBank's consolidated NPLs stood at Baht 84,038 million, 3.65 percent of the total outstanding credit, including that of financial institutions. Bank-only NPLs totaled Baht 81,814 million, 3.62 percent of the total outstanding credit, including that of financial institutions. The NPL data is shown in the table below:

Non-Performing Loans

For the Year Ending	(Unit: Million Baht)	
	Dec. 31, 2019	Dec. 31, 2018
Consolidated NPLs	84,038	74,400
Percent of total outstanding credit, including that of financial institutions	3.65	3.34
Bank-only NPLs	81,814	72,346
Percent of total outstanding credit, including that of financial institutions	3.62	3.31

Net Non-Performing Loans

As of December 31, 2019, KBank's consolidated net NPLs stood at Baht 55,682 million or 2.45 percent of the total outstanding credit, including that of financial institutions. Bank-only net NPLs totaled Baht 55,079 million or 2.47 percent of the total outstanding credit, including that of financial institutions. The NPL data is shown in the table below:

Net Non-Performing Loans

For the Year Ending	(Unit: Million Baht)	
	Dec. 31, 2019	Dec. 31, 2018
Consolidated net NPLs	55,682	41,431
Percent of total outstanding credit, including that of financial institutions	2.45	1.89
Bank-only net NPLs	55,079	40,769
Percent of total outstanding credit, including that of financial institutions	2.47	1.89

Debt Restructuring

As of December 31, 2019, KBank's consolidated restructured debts which incurred losses totaled Baht 67,241 million, decreasing by Baht 2,364 million, or 3.40 percent when compared to 2018.

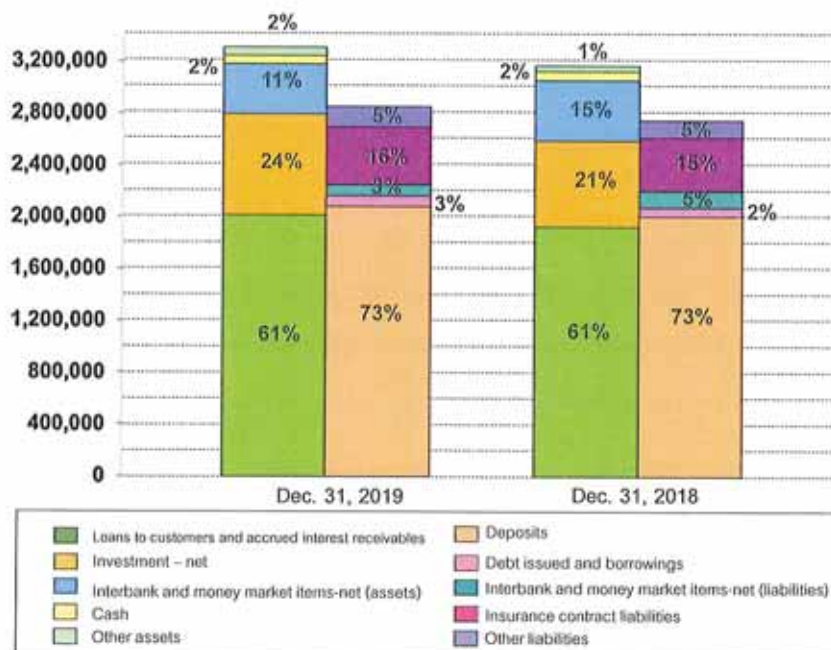
Foreclosed Properties

As of December 31, 2019, our consolidated foreclosed properties had a cost value of Baht 24,988 million, thus being 0.76 percent of total assets.

Financial Position Analysis

Assets and Liabilities Structure

(Unit: Million Baht)



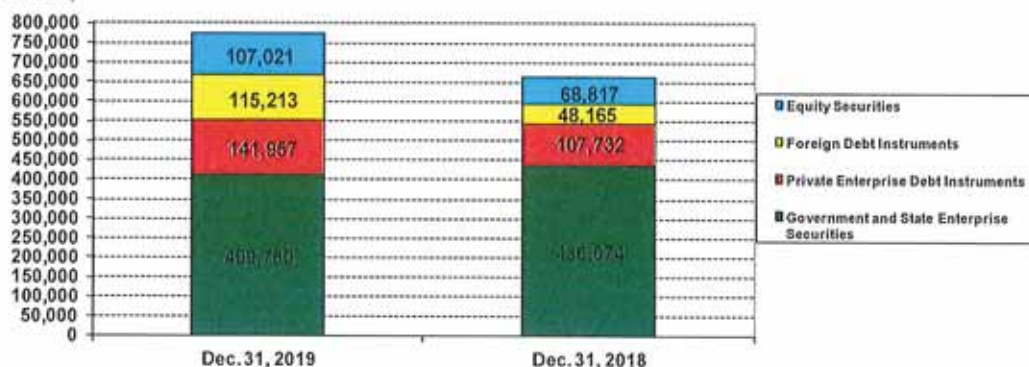
Assets

At the end of 2019, KBank's consolidated assets totaled Baht 3,293,889 million, increasing Baht 138,798 million or 4.40 percent from the end of 2018. The rise was due mainly to increase in net investments and loans to customers. Key details are as follows:

- Net investments totaled Baht 774,640 million at the end of 2019, increasing by Baht 112,985 million or 17.08 percent from the end of 2018 due mainly to rising investment in debt instruments overseas and equity instruments.
- Our consolidated loans (less deferred revenue) at the end of 2019 amounted to Baht 2,001,956 million, increasing by Baht 87,884 million or 4.59 percent from the end of 2018. Loan growth was close to the set target. Most increases were seen in housing loan, working capital and commercial loan. Our consolidated loans were the fourth-largest among Thai commercial banks.
- Net interbank and money market items (assets) totaled Baht 385,940 million at the end of 2019, decreasing by Baht 76,047 million or 16.46 percent from the end of 2018, due mainly to KBank's liquidity management.

Investments in Securities

(Unit: Million Baht)



Liabilities and Equity

Our consolidated liabilities, at the end of 2019 amounted to Baht 2,840,174 million, which rose Baht 102,905 million or 3.76 percent from the end of 2018. The increase was mainly attributable to increased deposits, and insurance contract liabilities. Significant changes in our consolidated liabilities included:

- Deposits at the end of 2019 equaled Baht 2,072,049 million, increasing Baht 77,048 million or 3.86 percent from the end of 2018, mainly as a result of increase in fixed-term and savings deposits. KBank's deposits ranked the fourth-largest among Thai commercial banks.
- Interbank and money market items (liabilities) at the end of 2019 equaled Baht 81,628 million, decreasing Baht 46,375 million or 36.23 percent from the end of 2018, due largely to KBank's liquidity management.
- Insurance contract liabilities at the end of 2019 were Baht 446,095 million, an increase of Baht 35,347 million or 8.61 percent from the end of 2018, in line with the growth in life insurance business.

At the end of 2019, total equity attributable to equity holders of KBank amounted to Baht 406,358 million, rising by Baht 30,060 million or 7.99 percent from the end of 2018, largely driven by net operating profit for 2019.

Relationship between Sources and Uses of Funds

As of December 31, 2019, the funding structure as shown in the consolidated financial statement comprised Baht 2,840,174 million in liabilities and Baht 453,715 million in total equity, resulting in a debt-to-equity ratio of 6.26. The main source of funds on the liabilities side was deposits, which equaled Baht 2,072,049 million, or 62.91 percent of the total source of funds, as of December 31, 2019. Other sources of funds included interbank and money market items as well as debt issued and borrowings, which each accounted for 2.48 percent of the total.

KBank's and subsidiaries' major use of funds was loans less deferred revenue, which as of December 31, 2019, amounted to Baht 2,001,956 million, resulting in loan-to-deposit ratio and loan-to-deposit plus bills of exchange ratio of 96.62 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, 2019	Percent	Dec. 31, 2018	Percent	Dec. 31, 2019	Percent	Dec. 31, 2018	Percent
≤ 1 Year	2,047,529	98.82	1,972,597	98.88	933,893	46.65	927,108	48.44
> 1 - 5 Years	24,520	1.18	22,404	1.12	392,169	19.59	420,292	21.96
> 5 Years	-	-	-	-	675,894	33.76	566,672	29.60
Total	2,072,049	100.00	1,995,001	100.00	2,001,956	100.00	1,914,072	100.00

As of December 31, 2019, 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 2019, the Bank and its subsidiaries' cash were Baht 61,385 million, decreased by Baht 5,355 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 102,214 million which was mainly from Baht 76,793 million of operating profit before changes in operating assets and liabilities and changes in significant operating assets and liabilities consisting of Baht 78,006 million of increase in deposits, Baht 70,082 million of decrease in interbank and money market items (assets) and Baht 58,283 million of increase in other liabilities, while there were Baht 123,618 million of increase in loans to customers and Baht 44,757 million of decrease in interbank and money market items (liabilities).
- Net cash used in investing activities were Baht 111,463 million which was mainly from Baht 393,390 million of purchase of available-for-sale investments and Baht 109,657 million of purchase of held-to-maturity debt instruments, while there were Baht 335,211 million of proceeds from disposal of available-for-sale investments and Baht 64,126 million of proceeds from redemption of held-to-maturity debt instruments.
- Net cash provided by financing activities were Baht 3,900 million which was mainly from Baht 25,442 million of proceeds from long-term debts issued and borrowings, while there were Baht 10,922 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 consisted of:

(Unit : Million Baht)

	31 Dec 19	31 Dec 18	31 Dec 17
Avals to bills and guarantees of loans	13,440	14,287	18,723
Liability under unmatured import bills	37,407	33,729	29,786
Letters of credit	31,935	38,945	32,617
Other contingencies	641,938	630,685	632,140
Total	724,720	717,646	713,266

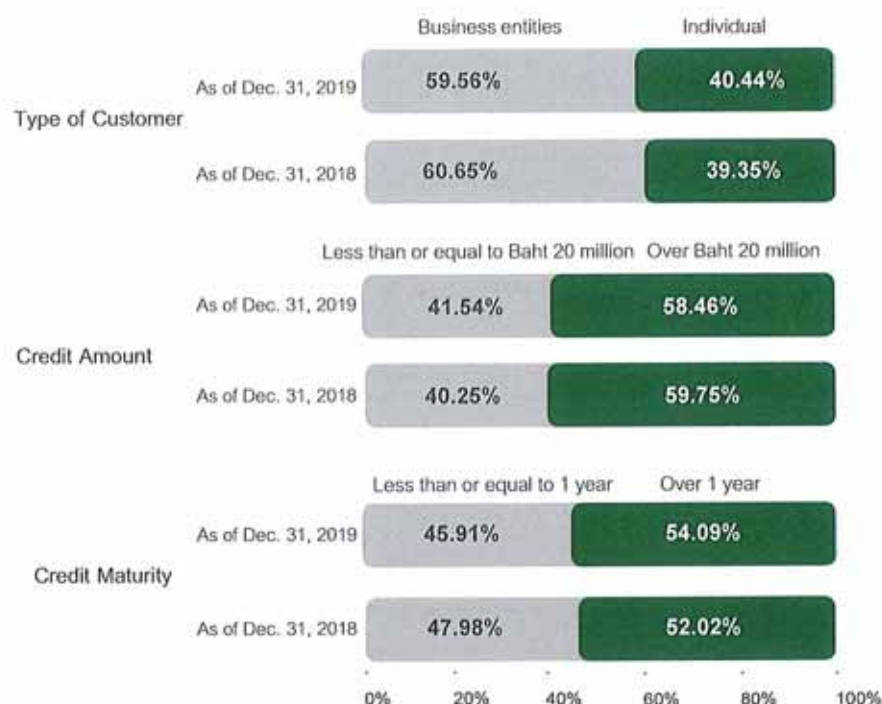
Loans and Deposits

Loans

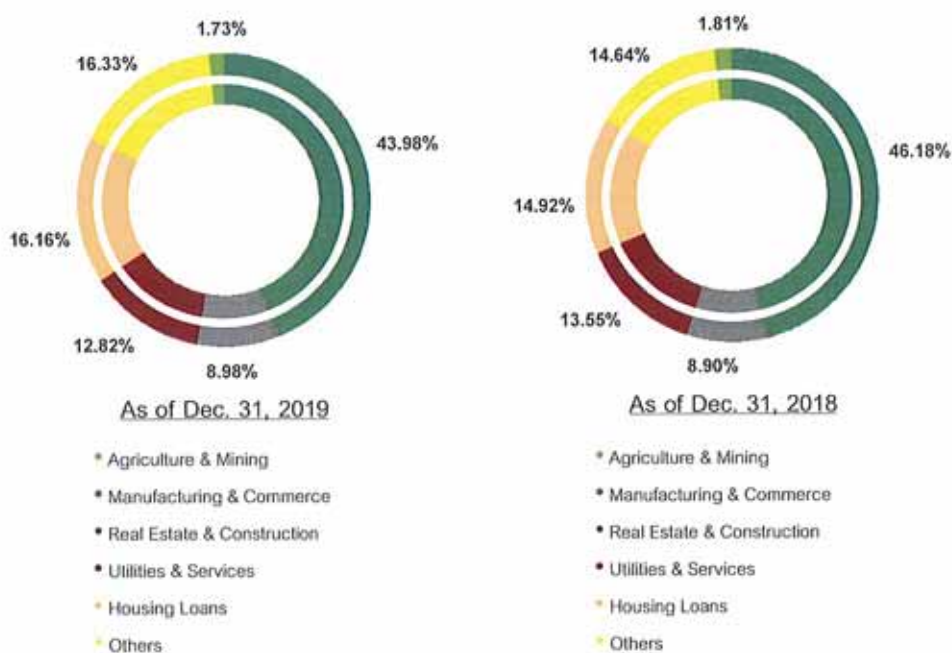
As of December 31, 2019, KBank's consolidated outstanding loans stood at Baht 2,001,956 million, increasing by Baht 87,884 million, or 4.59 percent, compared to Baht 1,914,072 million at the end of 2018.

As of December 31, 2019, 59.56 percent of KBank's outstanding loans were made to juristic persons or registered businesses. Loan account exceeding Baht 20 million totaled Baht 1,138,244 million, or 58.46 percent of the total; 41.54 percent were loans under Baht 20 million. As for maturities, credit with maturities of less than or equal to one year accounted for 45.91 percent of our total loans.

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



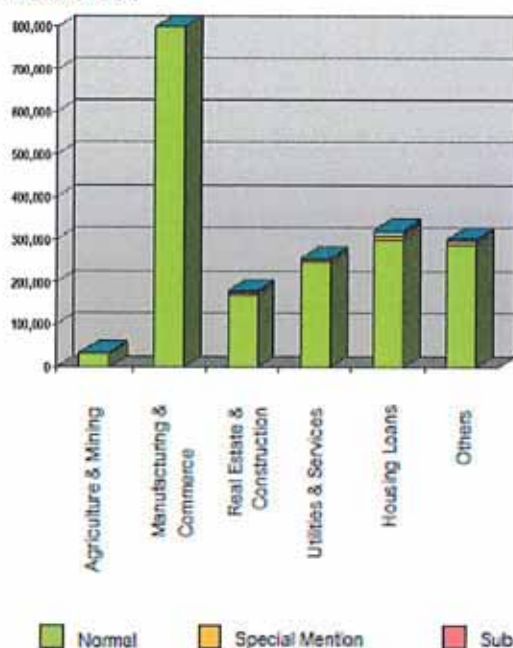
KBank's Consolidated Lending Portfolio



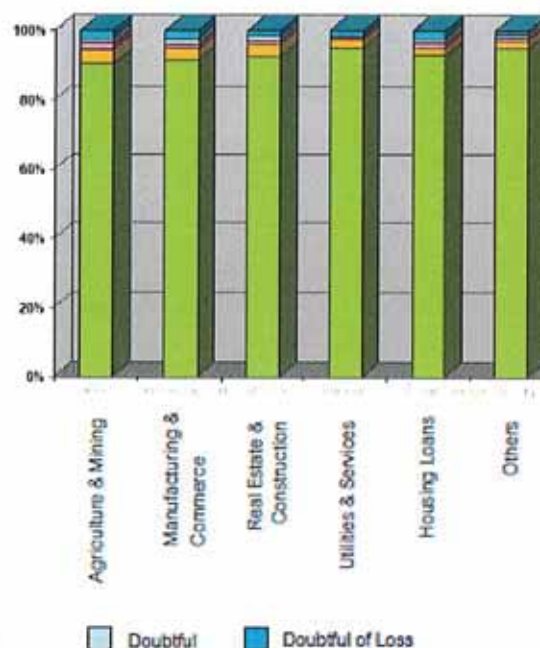
As of Dec. 31, 2019

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

Unit: Million Baht



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



Within KBank's consolidated lending portfolio, 92.92 percent were classified as "Normal" loans. When sub-divided by type of business, Manufacturing & Commerce represented the highest share of total consolidated lending at 43.98 percent; of that 91.61 percent were classified as "Normal" loans.

Loans Classified by Business

(Unit: Million Baht)

	Dec. 31, 2019		Dec. 31, 2018	
	Corporate Business ¹⁾	Retail Business ²⁾	Corporate Business ¹⁾	Retail Business ²⁾
Loans	1,363,221	555,451	1,344,381	487,632

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.

As of the end of 2019, our corporate business loans (Corporate and SME customers) had increased by Baht 18,840 million, or 1.40 percent, from the end of 2018. The increase was derived mainly from Corporate customers, especially those in the automotive, transportation, consumer goods, packaging and printing, and agro-processing industries that sought loans to accommodate their business expansion and for use as working capital. Meanwhile, our SME business loans rose slightly over-year amid an economic slowdown. Industries which still saw growth in outstanding loans were those related to hardware, services, hotels and real estate.

Our retail loans grew Baht 67,819 million, or 13.91 percent, over-year. The growth was quite satisfactory thanks to a well-considered credit policy so as to efficiently control hefty household debt and maintain our loan quality as well as our market leadership in loan products. In 2019, KBank adopted a risk management principle that accounted for affordability risk in addition to credit risk, in line with our policy of making KBank a Bank of Sustainability. The new approach is expected to ensure a balance in our retail lending for a high-quality and appropriate loan portfolio while also supporting consumers' improved access to essential funding sources on a continual basis.

Deposits

Deposits Classified by Type of Deposit Account

(Unit: Million Baht)

	Percent of Total Deposits	Deposits		Change	
		Dec. 31, 2019	Dec. 31, 2018	Increase (Decrease)	Percent
Total Deposits	100.00	2,072,049	1,995,001	77,048	3.86
Current accounts	5.72	118,550	116,957	1,593	1.36
Savings accounts	70.77	1,466,473	1,436,615	29,858	2.08
Fixed-term deposit accounts	23.51	487,026	441,429	45,597	10.33

At the end of 2019, total deposits of both Corporate Business and Retail Business had increased Baht 77,048 million, or 3.86 percent, compared to the end of 2018. This was in line with our policy for management of deposits, which must be kept at levels appropriate for loan demand and competition, accounting for the balance of deposits from each customer segment. We prioritized maintaining customer relationships along with the launch of alternative products to meet the needs of all customer groups. Notable initiatives included special fixed-term deposit products offering competitive interest rates over a suitable period of time, mutual fund products offering new investment opportunities, especially those focusing on megatrend-themed investment or adoption of a risk-based allocation strategy, as well as a myriad of life insurance products. In addition, we have adopted technology for our financial services, in particular the introduction of K-eSavings Account, in response to customers' lifestyles in the digital era. With a focus on the new-generation customers – those teenagers and newly employed aged 15-25, KBank debuted the KBank x BLACKPINK campaign that offers a BLACKPINK-themed savings passbook to applicants for a KBank x BLACKPINK Debit Card.

Treasury Operations

Treasury Operations

During 2019, average overnight interbank lending rates stood at 1.58 percent p.a. Those rates were influenced by the two policy rate cuts per the resolutions from the Monetary Policy Committee (MPC) meetings held on August 7, 2019 and November 6, 2019 wherein the key policy rate was cut from 1.75 percent to 1.50 percent p.a., and from 1.50 percent to 1.25 percent, respectively.

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 2019, we continued to see increased returns on investments by focusing on investment in short-term bonds that offered higher returns than the policy rate, while reducing our holding of long-term bonds due to the significant decline in long-term interest rates. 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	2019	2018	Change	
				Increase (Decrease)	Percent
Interest income ¹⁾					
Interbank and money market items ²⁾	52.65	5,602	6,426	(824)	(12.82)
Investments	47.35	5,038	2,953	2,085	70.61
Total	100.00	10,640	9,379	1,261	13.44

Notes: ¹⁾ Managerial figures

²⁾ Including loans

During 2019, total interest income stood at Baht 10,640 million, increasing Baht 1,261 million or 13.44 percent from the previous year, due mainly to adjustment of investment proportion despite falling interest rates in the market in line with the policy rate reduction of the Monetary Policy Committee during the second half of the year.

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. As of December 31, 2019, our deposits at the Bank of Thailand and cash at cash center averaged Baht 27,548 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	2019	2018	2017
KASIKORN ASSET MANAGEMENT CO., LTD. (KAsset)	Assets under Management	1,431,243	1,379,736	1,302,686
	Market Share (Percent)	18.50	19.23	18.72
KASIKORN SECURITIES PCL (KSecurities)	Trading Volume	683,036	739,327	811,883
	Market Share (Percent)	3.04	2.98	3.71
KASIKORN LEASING CO., LTD. (KLeasing)	Loans	114,769	108,081	97,055
KASIKORN FACTORY AND EQUIPMENT CO., LTD. (KF&E)	Loans	22,876	20,377	17,633
Muang Thai Life Assurance PCL (MTL)	Net Premiums Earned	83,840	94,467	102,681
	Market Share (Percent)	13.72	15.06	17.06

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

During 2019, 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 18.50 percent. The excellent performance benefited from its synergy with KBank for product development to match consumers' needs. Notable efforts were the launches of new funds, including K Global Private Equity 19A Fund Not for Retail Investors (K-GPE19A-UI), the first private equity fund in Thailand; K Global High



Impact Thematic Equity Fund (K-HIT), a global equity fund featuring a diversified portfolio of “megatrend” stocks to provide investors greater opportunity of return over the long-term; and K Fixed-Dated Asian Bond 2022A Fund (KAB22A), an option for investors interested in a portfolio of Asian fixed income instruments with auto-redemption policy and relatively decent expected returns in a low-yield environment. 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, as well as the My Message function, which provides increased efficiency in investment with information updates suited to each individual investor, so that they never miss an investment opportunity. Moreover, KAsset successfully launched an online mutual fund account opening service in August 2019, a first for Thailand.

Operating under business principles shared with KBank, KSecurities emphasizes development of excellent products and services, especially in research, which has 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 to correspond with investor behavior in the digital era. Recently, an online securities account opening system was developed to facilitate new investors in their transactions with a reduced documentation process. As a result, the number of new customers through the online channel increased significantly. For investment advisory, the quality of equity wealth managers was one of the company's focal points. The company continued delivering various training programs to enhance equity wealth managers' potential and allocated customers for each equity wealth manager based on their investment behavior and preferences. Furthermore, an investment tool for equity wealth managers was developed to monitor customers' portfolios. Through these endeavors, KSecurities held a market share of 3.04 percent.

KLeasing's outstanding loans posted over-year growth of 6.19 percent, in line with the country's domestic auto sales growth. KLeasing enjoyed solid new loan growth, which was derived mainly from Auto Loan (Dealer Floorplan). Asset quality remained healthy with an NPL ratio of 1.26 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 an enhanced service experience.

KF&E, which specializes in equipment leasing, reported over-year loan growth of 12.26 percent from the end of 2018, with high growth in the construction industry. The company focused on forging alliances with customers who are machinery dealers and those in new industries, including robotics and digital technologies and software. It has also been working closely with KBank RMs to achieve service excellence with the highest customer satisfaction level.

MTL retained its leading position in the life insurance business, with the number-three market share in total premiums at 13.72 percent. The company remained at the forefront in bancassurance with the number-one market share in total premium, thanks to close cooperation with KBank in developing insurance plans that are in line with customers' demands.

Capital Requirements

Placing great emphasis on capital regarded as valuable resource for business operation, 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 capital 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 Capital Requirements

After the global financial crisis, the Basel Committee on Banking Supervision (BCBS) undertook a great effort to revise 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. Financial institutions are required to have enhanced capital quality and quantity. The Bank of Thailand has adopted the reforms in Thailand. The capital requirements are summarized as follows:

Capital Requirements comprise two parts:

1. Minimum Capital Requirement: Total capital ratio must be maintained at not less than 8.50 percent, comprising Common Equity Tier-1 ratio (CET1 ratio) and Tier-1 ratio at not less than 4.50 percent and 6.00 percent of total risk weighted asset, respectively.
2. Capital Buffer: The Bank of Thailand requires that conservation buffer be maintained, with CET1 ratio of more than 2.50 percent of total risk weighted asset in addition to minimum capital ratio. Domestic Systematically Important Banks (DSIBs) are required to maintain the additional CET1 of 1.00 percent of total risk weighted assets. The ratio has been gradually phased-in 0.50 percent since January 1, 2019 and increased to 1.00 percent from January 1, 2020 onwards. KBank's and the Conglomerate's capital levels are above regulatory requirements.

As of the end of 2019, KASIKORNBANK FINANCIAL CONGLOMERATE, under the Basel III capital requirements, had capital funds of Baht 433,753 million, consisting of Baht 357,975 million in Tier-1 capital and Baht 75,778 million in Tier-2 capital. The capital adequacy ratio was 19.62 percent, which is above the Bank of Thailand's minimum requirement and buffer requirement of 11.50 percent. Details are shown in the following table.

Capital Adequacy Ratio¹⁾➤ KASIKORNBANK FINANCIAL CONGLOMERATE²⁾

(Unit: Percent)

Capital Adequacy Ratio	Basel III						
	Minimum Requirement & Buffer Requirement ³⁾	Dec. 31, 2019	Sep. 30, 2019	Jun. 30, 2019	Mar. 31, 2019	Minimum Requirement & Buffer Requirement ³⁾	Dec. 31, 2018
Tier-1 Capital Ratio	9.00	16.19	16.76	16.19	15.73	7.875	15.90
Common Equity Tier-1 Ratio	7.50	16.19	16.76	16.19	15.73	6.375	15.90
Tier-2 Capital Ratio	-	3.43	2.34	2.36	2.39	-	2.42
Capital Adequacy Ratio	11.50	19.62	19.10	18.55	18.12	10.375	18.32

➤ The Bank

(Unit: Percent)

Capital Adequacy Ratio	Basel III						
	Minimum Requirement & Buffer Requirement ³⁾	Dec. 31, 2019	Sep. 30, 2019	Jun. 30, 2019	Mar. 31, 2019	Minimum Requirement & Buffer Requirement ³⁾	Dec. 31, 2018
Tier-1 Capital Ratio	9.00	14.94	15.46	14.89	14.57	7.825	14.75
Common Equity Tier-1 Ratio	7.50	14.94	15.46	14.89	14.57	6.375	14.75
Tier-2 Capital Ratio	-	3.58	2.45	2.46	2.47	-	2.51
Capital Adequacy Ratio	11.50	18.52	17.91	17.35	17.04	10.375	17.26

Notes: 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 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, and other subsidiaries within the permitted scope from the BOT's to be a financial conglomerate.

³⁾ Bank of Thailand required the Bank to maintain two capital buffers as follows:

- Conservation buffer: Bank of Thailand required the bank to maintain an additional Common Equity Tier 1 on a phase-in basis at more than 0.625 percent per annum starting from 1 January 2016 until more than 2.50 percent in 2019.
- Domestic Systematically Important Banks Buffer (D-SIBs Buffer): Bank of Thailand required the D-SIBs to maintain an additional Common Equity Tier 1 at 1.00 percent per annum on a phase-in basis at 0.50 percent from 1 January 2019 and increase to be 1.00 percent from 1 January 2020 onwards.

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

During 2019, 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 the changing economic conditions and attain the highest efficiency in value creation management.

Credit Ratings

At the end of 2019, the Bank’s credit rating given by Standard & Poor’s, and Fitch Ratings remained unchanged from the end of 2018. During the year, there was revision of the outlook for Thailand and KBank as follows.

- **Fitch Ratings**

- In July 2019 : Fitch Ratings changed the outlook for Thailand to positive from stable.
- In September 2019 : Fitch Ratings assigned BBB rating to KBank’s USD subordinated note.

- **Moody’s Investors Service**

- In July 2019 : Moody’s Investors Service changed the outlook for Thailand to positive from stable. Moody’s also changed the outlook on nine Thai banks, including KBank, to positive from stable, and upgraded the Baseline Credit Assessments (BCA) and adjusted BCA of KBank, BBL and SCB to baa1 from baa2, and the long-term counterparty risk ratings of these banks to A3 from Baa1, as these banks maintained good financial fundamentals, despite the still challenging credit cycle in Thailand.

- In September 2019 : Moody’s Investors Service assigned Baa3 rating to KBank’s USD subordinated note.

- **Standard & Poor’s**

- In December 2019 : Standard & Poor’s changed the outlook for Thailand to positive from stable.

Details are shown in the following table.

KASIKORNBANK’s Credit Ratings

Credit Ratings Agency	Dec. 31, 2019	Dec. 31, 2018
Moody’s Investors Service¹⁾		
<u>Foreign Currency</u>		
Outlook	Positive	Stable
Long-term - Senior Unsecured Notes	Baa1	Baa1
- Deposit	Baa1	Baa1
- Counterparty Risk	A3	Baa1
- Subordinated Debt	Baa3	n.a.
Short-term - Debt/Deposit	P-2	P-2
- Counterparty Risk	P-2	P-2
Baseline Credit Assessment	Baa1	Baa2

Credit Ratings Agency	Dec. 31, 2019	Dec. 31, 2018
Domestic Currency		
Outlook	Positive	Stable
Long-term - Deposit	Baa1	Baa1
- Counterparty Risk	A3	Baa1
Short-term - Debt/Deposit	P-2	P-2
- Counterparty Risk	P-2	P-2
Standard & Poor's⁹⁾		
Global Scale Ratings		
Outlook	Stable	Stable
Long-term Counterparty Credit Rating	BBB+	BBB+
Long-term Certificate of Deposit	BBB+	BBB+
Short-term Counterparty Credit Rating	A-2	A-2
Short-term Certificate of Deposit	A-2	A-2
Senior Unsecured Notes (Foreign Currency)	BBB+	BBB+
Fitch Ratings⁹⁾		
International Credit Ratings (Foreign Currency)		
Outlook	Stable	Stable
Long-term Issuer Default Rating	BBB+	BBB+
Short-term Issuer Default Rating	F2	F2
Senior Unsecured Notes	BBB+	BBB+
Viability	bbb+	bbb+
Subordinated Debt (Basel III-compliant Tier 2 securities)	BBB	n.a.
Support	2	2
Support Rating Floor	BBB-	BBB-
National Credit Ratings		
Outlook	Stable	Stable
Long-term	AA+(tha)	AA+(tha)
Short-term	F1+(tha)	F1+(tha)
Subordinated Debt (Basel III-compliant Tier 2 securities)	AA(th)	AA(th)

Note: ⁹⁾ 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.