



KASIKORNTHAI

Management Discussion and Analysis (MD&A)

For the Quarter Ended September 30, 2017

ธนาคารกสิกรไทย
开泰银行 KASIKORNBANK



บริการทุกระดับประทับใจ

Executive Summary
Management Discussion and Analysis
For the Quarter Ended September 30, 2017

The Thai economy maintained steady growth in the third quarter of 2017, buoyed largely by tourism and exports. Nonetheless, the economic recovery was not broad-based, as evidenced by sluggish private consumption. While certain businesses were still fragile, others remained mired in uncertainty in terms of new modes of competition, a broader marketplace within the ASEAN Economic Community (AEC) and the digital age, along with external changes, especially global economic fluctuations and unresolved political issues. Businesses have also had to contend with new regulations and government projects. All of these factors affected the performance of KBank and our customers both directly and indirectly.

KBank has emphasized synergy with K Companies, strategic partners and startup firms for enhancement of our business capabilities to achieve sustainable growth and returns while maintaining our market leadership over the long term. Guided by our core strategies of “Customer Centricity” and making KBank the Customers’ Main Bank for all eight customer segments, we focus on creating innovations and managing financial products, as well as reinforcing our sales and service quality excellence, with greater consideration of consumer protection in order to deliver excellent financial products and an unsurpassed service experience to all our customers. Meanwhile, KBank places equal importance on supporting functions which are in harmony with our business directions that focus on effective, timely and proactive integrated risk management (IRM), internal operation efficiency, maximized resource utilization, along with better IT systems, to ensure that we will attain our business goals.

In the third quarter of 2017, KBank and subsidiaries reported a net profit of Baht 9,473 million, an increase of Baht 487 million, or 5.42 percent over-quarter. The increase could be attributed to a decrease of Baht 221 million, or 2.08 percent in impairment loss on loans and debt securities and an increase of Baht 835 million, or 2.13 percent in net operating income which came from both an increase of Baht 468 million, or 2.93 percent in non-interest income, which was derived mainly from revenue from capital market products and rising net fees and service income, and an increase of Baht 367 million, or 1.57 percent in net interest income derived from rising interest income and effective funding cost management. Meanwhile, operating expenses rose Baht 487 million, or 3.07 percent owing to seasonality.

Given our funding cost management appropriate for the prevailing risk in a fragile business environment, KBank maintained key financial ratios at levels consistent with our overall economic performance and within the established targets. Our net interest margin (NIM) equaled 3.47 percent – slightly higher than the preceding quarter. Even though our cost to income ratio rose marginally from the previous quarter to 40.70 percent, it was better than the target. Meanwhile, our robust capital position was sufficient to cushion against risk, and greater than the Bank of Thailand’s requirement. As evidenced, the

Conglomerate's capital adequacy ratio (CAR) according to the Basel III Accord was 18.23 percent, with a Tier 1 capital ratio of 15.91 percent.

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

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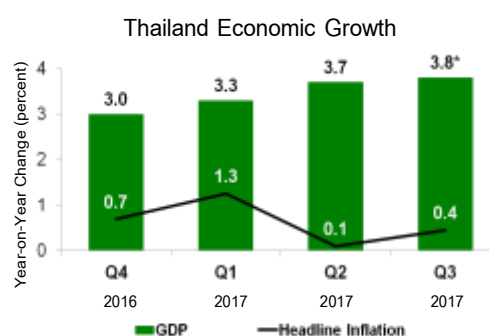
1. Overview of Operating Environment

1.1 Global and Thai Economy in the Third Quarter of 2017

Overall, the global economy gained traction throughout the first nine months of 2017. Bright prospects were apparent in the US, the Eurozone, Japan and many other Asian countries. The International Monetary Fund therefore upgraded its global economic projection for 2017 to 3.6 percent. The US economy showed signs of ongoing growth. This is despite the fact that the Federal Reserve has embarked upon a course of policy rate hikes and its Balance Sheet Normalization Program, wherein maturing US Treasuries and mortgage-backed securities will be allowed to roll off gradually without reinvestment, in order to reduce its massive balance sheet. Meanwhile, the Eurozone, Japan and several other Asian countries maintained their growth momentum; their central banks pursued continually accommodative monetary policy through asset purchase programs and keeping policy interest rates low.

Over the final quarter of 2017 and into the next year, close attention should be paid to the timing of the Federal Reserve's tightening monetary policy under the anticipated new Federal Reserve chairman, the US tax reform plan and the timing of exit from quantitative easing policy by many central banks, such as the European Central Bank's plan to cut its monthly bond-buying program. These developments may influence movements of government bond yields and the financial market environment worldwide.

In Thailand, several economic indicators in the third quarter of 2017 exhibited ongoing growth. The upbeat performance was fueled mainly by thriving exports and tourism. Manufacturing production fared better, in line with manufacturing sector indicators tracing the promising trends in core economies. Against this backdrop, KResearch estimates



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

that the Thai economy in the third quarter of 2017 may have maintained growth of 3.8 percent over-year, slightly higher than the 3.5-percent growth during the first half of this year. Broadly speaking, Thai economic growth for 2017 is projected to reach 3.7 percent. Investment and government spending are expected to reinvigorate domestic economic activity, thus offsetting effects of slowing farm income, and the lagging recovery in household purchasing power. Regarding Thai monetary policy, the Bank of Thailand's policy rate is expected to stay at a low 1.50 percent for the entirety of 2017 through to the first half of 2018 to accommodate domestic economic activity, which is on a recovery path.

1.2 Banking Industry and Competition

In the third quarter of 2017, net profit of most commercial banks slightly increased from the previous quarter, but decreased from the same period of last year. The over-year decline could be attributed to increase in impairment loss on loans and debt securities in line with non-performing loans to total loans, which inched higher from the prior quarter and the end of 2016. Meanwhile, net fees and service income posted an increase from the previous quarter and the same period of last year. The increase was derived from fees earned from loans, underwriting, private wealth management and mutual fund sales. Net interest income continued to rise. Likewise, net interest margin (NIM) recorded a minimal increase after being stable during the first half of this year given that most commercial banks continued to focus on funding cost management.

As of the end of the third quarter of 2017, net loans at 14 domestically-registered commercial banks grew 2.15 percent over-year, decelerating from the growth of 2.38 percent at the end of the second quarter of 2017, but still higher than the figure of 1.26 percent at year-end 2016. Meanwhile, deposits grew at a higher rate of 4.91 percent, compared to 3.78 percent at the end of the second quarter of 2017 and 1.46 percent at the end of 2016.

Looking ahead into the final quarter of this year, loans are set to maintain growth. Business loans, in particular, are expected to receive a boost from revival in economic activity and the government's investment projects. Nonetheless, small business and retail loans may see only limited growth amid a feeble recovery in purchasing power. Close attention should be paid to competition in the market and adjustment of unsecured personal loan providers after measures for controlling credit card and personal loan under supervision of the Bank of Thailand came into force September 1, 2017. Focus should also be on commercial banks' asset quality and fee income as payment transactions are increasingly conducted via PromptPay service. All of these factors will pose a challenge for commercial banks seeking to maintain their profitability, going forward.

1.3 Regulatory Changes

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

- **Regulations for Conducting Credit Card Business and Undertaking Business of Personal Loan under Bank of Thailand Supervision**

Notifications of the Bank of Thailand No. SorNorSor.12/2560 and No. SorNorSor.14/2560, dated July 17, 2017, were issued to improve regulations, procedures and conditions for conducting business of credit card and personal loan under supervision, effective September 1, 2017, with salient points as follows.

1. **Credit card loan measures**

- (1) Establish credit limits for new credit card applicants based on their monthly income as

deemed appropriate for their debt servicing ability:

- For applicants earning less than Baht 30,000 per month, credit limit must not exceed 1.5 times their monthly income.
- For applicants earning from Baht 30,000 to less than Baht 50,000 per month, credit limit must not exceed 3 times their monthly income.
- For applicants earning Baht 50,000 or more per month, credit limit must not exceed 5 times their monthly income.

(2) Reduce the ceiling for interest rates charged on credit cards from 20 percent to 18 percent per annum.

2. Measures for personal loan under supervision

(1) Establish credit limits for new personal loan applicants based on their monthly income as deemed appropriate for their debt repayment ability:

- Applicants earning less than Baht 30,000 per month are granted credit limit of up to 1.5 times their monthly income, and shall obtain personal loans from no more than three loan providers.
- Applicants earning more than Baht 30,000 per month are granted credit limit of up to 5 times their monthly income, and are not subject to limitation on the number of loan providers.

(2) Maintain the ceiling for interest rates charged on personal loans at 28 percent per annum.

KBank has already put in place relevant operational procedures to accommodate these new regulations.

● Foreign Exchange Regulations

The Bank of Thailand issued Notice of the Competent Officer on Rules and Practices regarding the Undertaking of Authorized Money Changers (No. 6), and Notice of the Competent Officer on Rules and Practices regarding Currency Exchange (No. 25), dated August 30, 2017, which included the following key points.

1. Authorized money changers are permitted to exchange foreign currency banknotes with commercial banks.
2. Authorized money changers are allowed to conduct foreign currency transactions with commercial banks for payment of purchased foreign currency banknotes to, or exchange of foreign currency banknotes with, commercial banks or other authorized money changers in Thailand, or banks or foreign exchange operators offshore. Relevant documents must be presented as evidence, such as a copy of authorized money changer license to be submitted

on a case-by-case basis or an annual basis, and documents relating to purchase of foreign currency banknotes to be submitted upon conducting a transaction.

3. Commercial banks are allowed to open a separate foreign currency deposit (FCD) account with foreign source for authorized money changers, and such account is to be used exclusively for transactions concerning the money changing business; outstanding balance of all such accounts in all currencies at the end of each day must not exceed USD 50,000 or its equivalent.
4. Payment in Thai Baht of transactions conducted between authorized money changers and commercial banks can be made with Thai Baht banknotes and via electronic means, namely credit card, debit card or electronic transfer of Thai Baht via Baht deposit account.

To accommodate these changes, KBank has already put in place necessary operational procedures.

- **Execution Proceedings Adjustment**

Act Amending the Civil Procedure Code (No. 30), B.E. 2560 (2017), published in the Government Gazette on July 6, 2017, and effective September 4, 2017, streamlines the legal execution proceedings in the entire system to be more effective. It reduces steps in court regarding the delivery of the enforcement order and writ of execution, shortening the legal execution procedure. By setting a definite timeframe, the law narrows the chance of utilizing legal loopholes for dilatory act. It also sets forth protective measures for opposing parties and related third parties. For instance, the revision raises the value of properties that are not subject to seizure and attachment to enable the debtors to live with sufficient financial means as appropriate in the current social context. The amended legislation will thus expedite execution proceedings per judgement or the court's order, allowing banks to recover unpaid debt more efficiently.

KBank has put in place preparations to duly accommodate the revisions. Policies and operational procedures have been revised and communicated to related staff members.

- **Revised Trade Competition Supervisory Measures**

On July 7, 2017, the Trade Competition Act, B.E. 2560 (2017) was promulgated in the Government Gazette, repealing the Trade Competition Act B.E. 2542 (1999). Effective October 7, 2017, the new law improves governing measures for trade competition for greater clarity and efficiency, in particular with regard to operations of entities with market dominance, mergers that may lead to monopolistic activity or substantially limit competition, and unfair trade practices. The revised law also mandates the establishment of the Office of Trade Competition Commission – a separate independent body to supervise trade competition with greater flexibility.

As a provider of financial services operating under the purview of this Act, KBank acknowledges the importance of ethical and fair trade competition and has always complied with the relevant laws.

Therefore, this legislation is not expected to have any substantial impact on KBank's business. At any rate, KBank has studied the new regulations and made preparations, duly and thoroughly, to ensure that KBank has conducted our business in compliance with the revised legislation.

- **Guidelines for Identification and Supervision of Domestic Systemically Important Banks (D-SIBs)**

Bank of Thailand issued Notification of BOT No. SorNorSor.16/2560 regarding Guidelines for Identification and Supervision of Domestic Systemically Important Banks (D-SIBs), and SorNorSor.17/2560 regarding List of D-SIBs, published in the Government Gazette on September 25, 2017, and effective on the day following its publication. The guidelines are intended to align banking supervision with Basel standards and strengthen stability of the financial system. Major points include that commercial banks which are of large size, highly connected with other financial institutions and the financial system, offer complex financial products and play a role as major providers of financial products and financial infrastructure, are classified as D-SIBs. 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. Currently there are 5 D-SIBs in Thailand which are Bangkok Bank, Krung Thai Bank, Bank of Ayudhya, KASIKORNBANK, and Siam Commercial Bank.

Over the past years, KBank has always recognized the importance of strengthening capital to be in accordance with the Basel regulatory reforms. Close monitoring and consideration of the relevant criteria and impacts have been jointly undertaken with the Bank of Thailand. Currently, our capital position is greater than the Bank of Thailand's requirement, which is sufficient to cope with the growth of business operations both at present and in the future.

2. Risk Management and Risk Factors

2.1 Credit Risk Management

In the third quarter of 2017, the Thai economy enjoyed better-than-expected growth on upbeat exports in line with trade partners' economic improvement, a brighter investment outlook, and ongoing growth in tourism. At the same time, the real estate and construction sectors grew modestly, with expansion seen only in certain areas. Likewise, consumption fared better in some products, especially durable goods, but overall purchasing power remained fragile overall. Both household and industry sentiment remained somber, indicating that the Thai economic recovery was uneven, with improvement concentrated in only certain industries.

Under these circumstances, KBank has developed effective credit risk management policies, tools and processes to cope with potential risks. We put in place more stringent customer approval criteria for commercial lending policies, and closely monitored borrowers, especially small and micro businesses, through appropriate reclassification of risky industries, and those industries under control. At the same time, KBank has remained cautious in credit underwriting of retail customers' loans (consumer loans), and focused mainly on borrowers with good track records, as well as existing low-risk customers. Early warning signs were also developed with the use of transactional data for enhanced efficiency in risk monitoring and portfolio management.

Furthermore, KBank enhanced processes and statistical models for stress testing in keeping with the changing economic conditions and risk trends. We also put in place guidelines for handling situations that may incur losses to KBank, for increased efficiency in risk management, ensuring that KASIKORNBANK FINANCIAL CONGLOMERATE will be able to maintain long-term sustainable risk-adjusted returns and operate business within appropriate risk limits under normal and stress scenarios.

Emphasizing efficient and timely risk management to cope with economic fluctuations, especially amid mounting household debt, domestic political uncertainties and fluid international economic policies, KBank is closely monitoring the situation and assessing possible impacts, placing importance on efficient risk management under the supervision of the Enterprise Risk Management Division, Credit Risk Management Sub-committee and Risk Management Committee, to maintain risks within KBank's risk appetite.

2.2 Market Risk Management

Overall, movements of Thai and US foreign exchange and interest rates were highly volatile during this quarter. The Thai Baht steadily rose against the US Dollar, which could be attributed mainly to capital influx into Thailand, supported by four major factors. First, it received a windfall from US failure to enact economic stimulus measures. Second, signs of a Federal Reserve policy rate hike postponement, given the US's benign inflation, dampened market expectations of a third US rate increase this year. Third, the

Thai inflation rate averaged as low as 0.6 percent during the first nine months of this year, which was the weakest of Asia, prompting Thailand's net return on investment after inflation to outperform regional peers. Finally, Thailand's economic and financial stability was strengthened due to its lofty international reserves.

Meanwhile, Thai and US interest rates and bond yields were declining due to several factors. There were, for instance, political strife between North Korea and the US which triggered anxiety among global investors, the worse-than-expected US economic figures, and the Federal Reserve's monetary policy perspectives, especially concerns over low US inflation rates and a shift to reduction of its massive balance sheet through quantitative tightening (QT), wherein reinvestment in new securities with proceeds from maturing US Treasuries and mortgage-backed securities will be reduced. However, the Federal Reserve's two policy rate increases in 2017 – which narrowed the gap between Thai and US policy rates – resulted in negative carry of foreign asset holdings, wherein the cost of holding a security exceeds the yield earned, which may decelerate fund inflows.

To cope with domestic and international economic and political uncertainty, as well as rapid changes in fund flows as above, KBank is closely monitoring the situation and assessing possible impacts, placing importance on efficient risk management under the supervision of the Enterprise Risk Management Division, Market Risk Management Sub-committee and Risk Management Committee, to maintain risks within prudent limits.

2.3 Liquidity Risk Management

Overall liquidity in the Thai banking system was stable in the third quarter of 2017. As commercial banks prioritized managing liquidity at a level appropriate for ebbing demand for loans amid repayment of loans from businesses, government sector and SMEs, net loans therefore saw little increase. Meanwhile, deposits were rising to partly offset the reduced volume of debt issued and borrowing. As a result, net liquidity stayed almost unchanged from the prior quarter.

We are therefore keeping a close watch on the situation, while analyzing the course of events. Subject to our regular reviews and improvements in liquidity risk management processes at KBank and K Companies, these actions are consistent with economic circumstances and rapid changes in the prices of financial assets. We continue to emphasize proactive risk controls via the supervision of the Enterprise Risk Management Division, Assets and Liabilities Management Sub-committee and Risk Management Committee. We are also watchful for any potential impact on our deposits and liquidity, both short- and long-term, to ensure that we adopt proper fund-raising strategies.

2.4 Other Risks Management

KBank gives highest priority to IT security in all our operations, including all our IT data, systems and other information infrastructure to secure our digital banking transactions from IT risks and cyber threats. Such attacks as Distributed Denial of Service (DDoS), that are intended to generally disrupt the

victimized systems, or ingress via malware or malicious software, virus distribution, etc., are actively monitored and thwarted. We have also put in place measures to prevent data leakage, most especially in the transmission of information among various KBank units. Significant efforts range from the classification and assessment of risks arising from data usage to the installation of systems allowing KBank to more effectively detect and prevent potential data leaks, and prohibiting the use of USB disk drives, a wide channel for large-scale data leaks.

3. Business Directions and Operations of Core Businesses

3.1 Sustainable Development and Corporate Governance

Given our sustainable development initiatives, during the third quarter of 2017, KBank was selected for inclusion in Dow Jones Sustainability Indices (DJSI) 2017 – the globally recognized benchmark of sustainable business practices. KBank is the first and only bank in Thailand, as well as ASEAN, to have been included in both the DJSI World and DJSI Emerging Markets indices, for the second year running.

Selected for best sustainable development practices from a field of over 200 leading banks worldwide participating in the 2017 assessment, KBank was one of only 28 included in the DJSI World Index and one of only 14 included in the DJSI Emerging Markets Index. The selection reflects international recognition of KBank's efforts to achieve balance in our operations among the three sustainable development dimensions for all stakeholders.

KBank was also selected for inclusion in the FTSE4Good Emerging Index among firms with good management of environmental, social, and governance (ESG) risks. The index is used as a performance benchmark for tracker funds and structured products, with ESG ratings used as standard criteria by socially conscious investors. The index also provides guidelines for firms to develop standards for engaging in sustainable development practices. Moreover, KBank was named to the Thailand Sustainability Investment 2017 list, by the Stock Exchange of Thailand, for outstanding sustainable business practices. .

Our inclusion in these global standards underscores KBank's firm adherence to internationally recognized sustainability practices and build confidence in KBank operations. Sustainable development along the economic, environmental, and social dimensions is a fundamental KBank principle, concretely implemented in all our undertakings so as to provide the maximum possible benefit to all stakeholders.

Meanwhile, KBank emphasizes the maintenance and development of corporate governance on a continuous and sustainable basis, and promotes it as an organizational culture. A number of activities undertaken to promote our good corporate governance practices during the third quarter of 2017 included:

- Granting of rights to shareholders to propose a candidate for directorship, and issues for inclusion in the meeting agenda at the 2018 General Meeting of Shareholders
- Conducting sessions within K Companies and P Companies to ensure common understanding of the Statement of Corporate Governance Principles, compliance with regulatory requirements and internal control guidelines
- Arranging orientation sessions on good corporate governance and the Code of Conduct for new executives
- Organizing lectures on good corporate governance for KBank executives

- Undertaking continued training and evaluation of employees' knowledge of compliance with the Code of Conduct and Anti-Corruption Policy via KBank e-Learning system
- Conducting “KBank Honest People” campaign to promote integrity and ethical practices among employees
- Communicating to employees the Anti-Corruption Policy and informing them of communication channels for accepting information, suggestions or complaints via Microsoft Office 365 and KASIKORNTV
- Providing comments and recommendations on compliance with the Statement of Corporate Governance Principles and government regulations to departments within KBank, K Companies and P Companies
- Reviewing our operations to ensure their conformity with the globally and domestically accepted corporate governance principles

3.2 Business Directions of KASIKORNBANK and the Wholly-owned Subsidiaries of KASIKORNBANK

The Thai economy maintained steady growth in the third quarter of 2017, buoyed largely by tourism and exports. Nonetheless, the economic recovery was not broad-based, thus prompting private consumption to remain sluggish. In addition, certain businesses remained mired in uncertainty in terms of new modes of competition, a broader marketplace within the ASEAN Economic Community and the digital age, along with external changes, especially global economic fluctuations and unresolved political issues, as well as volatility in the Baht and interest rates. Businesses have had to contend with new regulations and government projects such as the National e-Payment Master Plan, as well as fast-changing consumer behavior.

Within this context, KBank and K Companies have accentuated enhancement of our business capabilities to achieve sustainable growth and returns while maintaining our market leadership over the long-term. Guided by our core strategies of “Customer Centricity” and making KBank the Customers' Main Bank for all eight customer segments, we focus on in-depth understanding of their needs, creating innovations and managing financial products, as well as reinforcing our sales and service quality excellence, with ever-greater consideration of consumer protection in order to deliver to our customers excellent financial products and an unsurpassed service experience. To this end, KBank emphasizes synergy with other companies within the Conglomerate, strategic partners and startup firms under efficient and timely risk management.

Beyond the above strategies, KBank places equal importance on supporting functions, which are in harmony with our business directions that focus on effective, timely and proactive integrated risk management (IRM), improved customer service, internal operation efficiency, and maximized resource utilization. We remain committed to efficient operating cost and asset quality management, along with better information and IT systems through appropriate structures and tools, as well as human resource

management that focuses on employee development, leadership enhancement and organizational culture reinforcement, to ensure that we will attain our business targets.

3.3 Customer Segments and Services

During the third quarter of 2017, KBank and K Companies continued to adhere to our “Customer Centricity” strategy, being attentive to the linkage of domestic and global economic circumstances, sustaining our customer business and financial standing, as well as supporting their growth and opportunities, led by the government’s economic stimulus measures and other factors. Along with that, we developed our business in various dimensions – from customers to product domains and service channels – so that customers’ financial service needs are efficiently met by our solutions. These undertakings helped us to achieve our business goals, while also appropriately maintaining asset quality.

■ Multi-Corporate Business

Large corporate clients continued their business expansion activities amid signs of global economic recovery. Thai exports and tourism thus grew healthily, being a major thrust for Thai economic growth. KBank offered fund-raising support via debt market for our large corporate clients, namely hire purchase, financial institutions, real estate, petroleum and petrochemical industries, entertainment and services. As a financial advisor for a customer in the electricity generation industry, we aided its fund-raising via capital markets through an initial public offering (IPO) on the Stock Exchange of Thailand.

Meanwhile, KBank remains focused on bolstering customer competitiveness. To accommodate a cashless society, we have developed new financial products and acquired new users, primarily taking into account convenience and security in financial transactions at a lower cost, in response to the National e-Payment Master Plan. To meet customers’ business needs, we offer advice on the use of risk management products appropriate for market timing, along with advisory service provided by KBank specialists.

Furthermore, we provide value chain management solutions for enhanced connectivity between our customers and their business partners, thus leading to more expansive business networks and efficiency. To this end, we continually launched activities, notably, “KBank Exclusive Seminar: Capitalizing on Cambodia”, and a seminar entitled, “Winning in the Disruptive World”.

■ Large Corporate Business

KBank prioritizes customer service and accessibility while also supporting government policies. Focus has thus been on the development of personnel and work processes for enhanced customer care and advisory service efficiency. We strive to improve and offer products that are suited to customer needs under ever-changing circumstances. A noteworthy development was the introduction of electronic payment innovations, as Thailand shifts towards becoming a cashless society.

In addition, we held numerous events to equip our customers with relevant knowledge as part of our CRM efforts. Through value chain management solutions, we aim to enhance connectivity between our customers and their business partners to pave the way for a growing business network. Among notable activities held was the “Winning in the Disruptive World” seminar.

■ **Medium Business**

KBank strives to develop our products and services towards digital formats, while offering total solutions to our customers. Through K-Value Chain Solutions, we provide assistance to our clients, upstream to downstream, along with loan products and cash management services to support them at every stage of their business operations for their sustainable growth. So doing, KBank will achieve our goal of being customers’ main bank. In this quarter, loan products were catered to customers in major industries including consumption and services, infrastructure, energy and transportation. We have also continued to enhance knowledge of our customers to streamline their operations and create business opportunities through business networks and partnerships..

In this quarter, KBank organized seminars to better meet the needs of each customer group, including a seminar titled, “Penetrate the United Arab Emirates (UAE) Market: Opportunity to Boost Sales”, for those looking to invest in the Middle Eastern country, and a seminar entitled, “Reorganize Balance Sheet - Manage Inventory Like a Pro”, to enhance traders’ knowledge of business planning and administration. Collaborating with our business partners, we organized a workshop on “Overhaul Construction Business Management to Achieve Excellence”, to equip our customers in construction industry with knowledge of business management.

■ **Small and Micro Business**

KBank has incorporated digital technology into our financial services in response to the government’s cashless society policy according to the National e-Payment Master Plan. Of note was enhancement of the K PLUS SHOP application to make it more convenient for merchants to receive payment via QR code linked to mobile banking of other banks, or via e-Wallet, to help increase the merchants’ sales opportunities as consumers now have more payment options. In addition, merchants can manage their financial and sales statements on their own. To promote the service among our customers, we have continually conducted PR campaigns in major shopping areas such as Siam Square, Chatuchak Weekend Market and The Platinum Fashion Mall, Pratunam.

Meanwhile, KBank’s policy is to introduce new technologies to our customers for accounting, manufacturing and inventory management, all for enhanced business efficiency and competitiveness. Moreover, KBank has teamed up with the government to share the financial burden of our customers by waiving the Thai Credit Guarantee Corporation (TCG) guarantee fee for four years under the “Portfolio

Guarantee Scheme” to lessen our customers’ business cost and facilitate their uninterrupted access to funding sources.

We also partnered with Sun 108 and Alipay to pioneer QR code payment via vending machines with the aim of providing greater convenience for Chinese tourists. Moreover, KBank continued to install Electronic Data Capture (EDC) for merchants as part of our push for a cashless society in alignment with the National e-Payment Master Plan.

■ High Net Worth Individual

KBank’s collaboration with Lombard Odier, our business partner, continued with the objectives of enhancing our products and services to be on par with world-class standards. Teaming up with KASIKORN ASSET MANAGEMENT CO., LTD., we introduced the K Global Risk-Enhanced Asset Allocation Fund (K-GREAT) – a risk-based asset allocation fund initiated by Lombard Odier – a new form of mutual fund which uses leveraged derivatives to enhance returns and optimize risk management mechanisms.

We also worked with Lombard Odier to organize a training course at its headquarters in Geneva, Switzerland, designed specifically for private bankers and support teams to hone their skills, knowledge, and ability in line with international standards.

■ Affluent

In adherence to our strategy for wealth management and portfolio quality improvement, our RM teams are always on hand to offer our customers advice on sophisticated investment products and hold financial activities that provide increased opportunities for them to obtain greater returns. We continued to pursue business strategies of making KBank our Customers’ Main Bank, along with retaining existing customers. With “Big Data” processing and analyzing to shed light on customer behavior, we are able to develop products and services that better meet both lifestyle and business needs of each customer.

In the third quarter of 2017, KBank teamed up with KASIKORN ASSET MANAGEMENT CO., LTD. to launch various types of mutual funds for different groups of customers based on their expected returns, risk appetite and investment timeline. Of note was K Equity Absolute Return Fund Not for Retail Investors (K-ART), which aims to achieve positive returns in any market situation and focuses mainly on investment units in America, among other countries. Along with this, we introduced K FIT Allocation Fund (K-FIT), which invests in other mutual funds (Fund of Funds) under the management of KASIKORN ASSET MANAGEMENT CO., LTD., emphasizing dynamic allocation of portfolio in accordance with four levels of customer risk tolerance. Notably, the K-My Funds app was launched to serve as a personal advisor for mutual funds, recommending a customized portfolio that fits each customer’s risk appetite and desired returns while also establishing the target and plan for continual investment. Moreover, we introduced the Life Insurance: Endowment 510 Guarantee, a 10-year term life insurance policy that offers high returns with no health checkup required.

We also respect the importance of upgrading our “THE WISDOM” brand and remaining the top-of-mind brand among our Affluent customers. KBank thus offers exclusive experiences to directly respond to

their financial and lifestyle needs. To this end, “THE WISDOM Show – *Ngam Wiwat Rattanakosin*” was organized, featuring a grand performance of Thailand’s leading artists. In collaboration with our partner which is the world’s top Japanese pearl jeweler, KBank held a learning activity, “How to Choose Pearls and Tips for Wearing Pearl Jewelry”, exclusively for our Affluent clients.

■ Middle Income

Guided by our core strategy of “Customer Centricity” to completely accommodate demand of each customer group, we aim to strengthen THE PREMIER as an exclusive brand for new-generation customers whose investments range between Baht 2-10 million. To increase customers’ product holding and maintain our “Main Bank” status, KBank emphasizes the study of customer behavior and demand, along with the offering of personal financial advice and planning by our K-Expert team. In this quarter, we organized the “Super Freelancers, Take a Rest if You’re Tired” seminar, in which financial simulation games were held to equip our self-employed customers with financial literacy, especially on how to tackle financial problems, as these clients have gained a higher share in the market. We have continually encouraged customers to save, especially through special fixed deposit programs and taking out life insurance policies with tax benefits as a financial security for their families, namely Life Insurance: Whole Life 99/5. At the same time, a PR campaign was conducted to promote the PromptPay funds transfer service and registration via various channels in support of the National e-Payment Master Plan, which received good response, as evidenced by the number of people registering for and conducting transactions via PromptPay.

For loan products, KBank prioritizes customer screening per our prudent credit policy in order to maintain overall portfolio quality. We focused on new products and promotional campaigns to achieve the loan target. Teaming up with our business partners including property developers and home specialists, we launched home loans with special interest rates and a low installment payment plan to customers seeking to purchase new homes, including custom-built residential units of KBank partners’ projects. One notable promotional campaign was the “K-Home Loan - Easy Payment: 999 Baht/Month per 1 million Baht”. We also joined hands with a property developer which received pre-finance assistance from KBank in conducting co-promotion activities to expand our home loan customer base in viable areas. Catering for senior citizens and their children, KBank debuted the “Home Heroes Taking Care of Parents!” and “Smart Care Home Loan” offering special elderly care items as gifts for customers purchasing homes of KBank partners’ projects.

For credit card loan, the PTT Blue Credit Card was introduced, while a promotion campaign entitled “The Great Phenomenon! #Swipe for More” was launched to promote greater spending via all types of K-Credit Card, especially among high-income customers. We have also streamlined our business processes and credit underwriting system, which was communicated to our customers for acknowledgement in alignment with the Bank of Thailand’s new regulations for credit card and personal loan supervision.

■ Mass

Guided by a strategy to be the preferred bank of our customers, especially those with the potential to become Middle Income clients, KBank remains committed to acquiring new customers and seeking opportunities to do business with our partners to develop new user-friendly products and services in response to the financial and lifestyle needs of customers. In this quarter, KBank introduced three new designs of K-Debit Card for specific groups of customers, especially cartoon character fan clubs, with exclusive privileges offered. They were the K-SHINCHAN DEBIT CARD, K-Pokémon Debit Card and Chang Suek KASIKORNTHAI Debit Card. To encourage more customers to use services and conduct financial transactions via electronic channels, we provide an added channel to sign up for K-Debit Card via the K PLUS app.

Moreover, we organized a promotional program to spur spending with K-Debit Card in addition to the government-initiated campaign under the National e-Payment Master Plan, through the offering of new privileges for customers with the Reward PLUS Debit Card when making their first payment via K-Debit Card per the established conditions. Numerous marketing activities highlighting KBank's image were continually staged at Thailand's leading companies and universities as part of our CRM efforts to promote brand awareness and attract their personnel to use KBank as their main bank.

3.4 Service Channels

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

(1) Branch Network: Key initiatives for branch network management in the third quarter of 2017 included:

- **Domestic branch network:** Our focus was on consolidation of branches with relatively low traffic to enhance service efficiency and maximize our sales and service quality in alignment with changing consumer behavior, as evidenced by the increased use of more convenient service channels, especially the K PLUS - our mobile banking application. However, we continued to expand service channels at viable locations. The number of branches now available is therefore sufficient to meet demands of customers covering all areas. Meanwhile, we took into account the appropriate consolidation of forex booths in certain areas while also adjusting business hours in each location, especially tourist attractions, to be in accordance with the number of travelers and high season.

- **International branch network:** We remain committed to a policy of network connectivity for our AEC+3 customers per our current business direction, focusing on growth in the Asian region. KBank has expanded branches and representative offices within AEC so as to respond to customers seeking to venture into other Asian countries, in alignment with the national agenda to embrace the AEC. In this quarter, KBank closed our representative branch in the People's Republic of China, which will be upgraded to a locally incorporated institution (LII).

Branches and Financial Service Offices/Centers

Domestic Service Network	Number of Locations		Overseas Service Network	Number of Locations	
	Sep. 2017	Jun. 2017		Sep. 2017	Jun. 2017
Branch Network ¹⁾	1,029	1,056	Branches and Overseas Service Network:	15	16
Foreign Exchange Booth	137	142	Locally Incorporated Institution	1	1
THE WISDOM	105	105	Branches and Sub-branches	6	6
Corporate Business Center	8	8	Representative Offices	8	9
SME Business Center ²⁾	121	121	Electronic Banking Services	Number of Units	
International Trade Service Center	58	58		Sep. 2017	Jun. 2017
Cheque Direct Service	33	31	Self-Service Channel (K-ATM and K-CDM)	11,768	11,652
			K-ATM (Automated Teller Machines)	9,167	9,026
			K-CDM (Cash Deposit Machines)	2,601	2,626
			K-PUM (Passbook Update Machines)	1,113	1,152

Notes: ¹⁾ Excluding 10 branches, classified as other branch platforms per the Bank of Thailand's conditions

²⁾ Excluding International Trade Service Centers. More than one SME Business Center may be located in a single branch.

(2) Electronic Network comprises:

- **K-ATMs and K-CDMs:** Service efficiency enhancement has been a major focus to accommodate round-the-clock financial transactions with security. Customers are encouraged to use self-service machines where various languages are available, for greater convenience of our foreign clients. At the same time, we prioritized machine management for broader service coverage to effectively meet the needs of customers.

- **Digital Banking Services:** Our leadership in digital banking is highlighted by full-service digital innovation, especially with our mobile banking app, K PLUS, as we continually enhance service efficiency, allowing customers to conduct transactions anywhere, anytime. Major initiatives of our digital banking in the third quarter of 2017 included:

- 1) **K PLUS:** A new QR code reading function has been developed to facilitate payments. The service is initially available only at Siam Square, Chatuchak Weekend Market and Platinum Fashion Mall, Pratunam. Marketing activities are in progress to promote greater awareness and trial usage.
- 2) **K-Cyber:** We focused on maintaining the stability of the K-Cyber system. Data security is ensured through implementation of ISO 27001:2013, the highest global standard, giving our customers more confidence when conducting financial transactions via all digital banking channels.
- 3) **K-Payment Gateway:** We enhanced service efficiency for bill payment with credit and debit cards online, and had in place a security system to assure merchants of easy, convenient and complete processes to accommodate customer business operation.

- **K-Contact Center:** We have developed numerous comprehensive service channels for enhanced customer convenience. KBank also worked with the Thai Bankers' Association and the Bank of Thailand in producing a Service Level Agreement for the Banking Industry (Industry SLA) as a set of industry-wide service standards for meeting customer expectations, including setting a baseline for responding to complaints, beginning with the most frequent topics, for the sake of a common process. These standards help to engender accurate and appropriate customer expectations. Examples include standards for the investigation of problems relative to deposits, withdrawals and transfers made via electronic channels, and investigation of funds transfers going to the wrong account.

3.5 Awards and Commendation

Through these efforts, KBank and K Companies have achieved good business performance, earning the recognition of various organizations at home and abroad, proven by many awards granted during the third quarter of 2017, notably:

Awards to KBank and K Companies
<p><u>Awards to KBank</u></p> <ul style="list-style-type: none"> ● KBank has been selected for inclusion in Dow Jones Sustainability Indices (DJSI) - both the DJSI World and DJSI Emerging Markets indices, by S&P Dow Jones Indices and RobecoSAM. ● KBank has been selected for inclusion in the FTSE4Good Emerging Index, by FTSE and Russell. ● KBank has been recognized for outstanding sustainable business practices and entered on the Thailand Sustainability Investment 2017 list of the Stock Exchange of Thailand. ● Four awards: Domestic Retail Bank of the Year in Thailand for the fourth consecutive year, Mobile Banking Initiative of the Year – Thailand, Credit Card Initiative of the Year – Thailand and Thailand Domestic Cash Management Bank of the Year from Asian Banking & Finance magazine. ● Four awards: Best Merchant Product Offering, Best Merchant Acquiring Technology Solution, Highly Commended: Best Debit Card Product for Asia-Pacific and Highly Commended: Best Marketing Campaign – Overall from Cards International & Electronic Payments International journal. ● Four Country awards: Mobile Payment Product of the Year, SME Bank of the Year, Best Private Wealth Bank in Thailand and Best Data & Analytics Project from The Asian Banker journal. ● Five awards: Project Finance House of the Year, Thailand for the third consecutive year, Project Finance House of the Year, Laos, Power Deal of the Year, Thailand, Renewable Energy Deal of the Year, Thailand and Power Deal of the Year, Laos from The Asset magazine ● Best Bank from Asiamoney magazine <p><u>Awards to K Companies</u></p> <ul style="list-style-type: none"> ● Best Innovation Centre by Financial Institution in Thailand from The Asian Banker journal, granted to KASIKORN BUSINESS-TECHNOLOGY GROUP (KBTG)

4. Operating Performance and Financial Position Analysis

4.1 Operating Performance

KBank's consolidated net profit for the third quarter of 2017 totaled Baht 9,473 million, increasing Baht 487 million or 5.42 percent over-quarter due to a decrease of Baht 221 million, or 2.08 percent in impairment loss on loans and debt securities. Operating profit before provision expense and income tax expense increased Baht 348 million, or 1.49 percent, over-quarter, due largely to an increase of Baht 835 million or 2.13 percent in net operating income, derived from both non-interest income and net interest income. Non-interest income rose Baht 468 million or 2.93 percent due mainly to revenue from capital market products and net fees and service income. Net interest income increased Baht 367 million, or 1.57 percent, as a result of rising interest income from interbank and money market items and interest income from loans. Net interest margin (NIM) was equal to 3.47 percent, higher than the previous quarter, and still within the set target of 3.3-3.5 percent.

Meanwhile, other operating expenses increased Baht 487 million, or 3.07 percent due largely to increasing employee expenses whereas premises and equipment expenses fell. Our cost to income ratio rose slightly from the previous quarter to 40.70 percent, which is better than the set target.

Operating Performance for the Third Quarter of 2017

(Unit: Million Baht)

	Q3-2017	Q2-2017	Change		Q3-2016	Change	
			Million Baht	Percent		Million Baht	Percent
Net Interest Income	23,710	23,343	367	1.57	22,351	1,359	6.08
Non-Interest Income	16,435	15,967	468	2.93	15,473	962	6.22
Total Operating Income - net	40,145	39,310	835	2.13	37,824	2,321	6.14
Total Other Operating Expenses	16,338	15,851	487	3.07	15,808	530	3.35
Impairment Loss on Loans and Debt							
Securities	10,405	10,626	(221)	(2.08)	6,867	3,538	51.53
Net Profit (attributable to equity							
holders of KBank)	9,473	8,986	487	5.42	10,856	(1,383)	(12.74)
Basic Earnings per Share (Baht)	3.96	3.75	0.21	5.42	4.54	(0.58)	(12.74)

When compared to the same quarter of the previous year, a decrease of Baht 1,383 million in our consolidated net profit, or 12.74 percent, was due to an increase of Baht 3,538 million or 51.53 percent in impairment loss on loans and debt securities. However, operating profit before provision expense and income tax expense rose Baht 1,791 million or 8.14 percent, over the same quarter of previous year, due to an increase of Baht 1,359 million or 6.08 percent in net interest income which was derived mainly from rising interest income from loans and interest income from interbank and money market items. Meanwhile, interest expenses decreased over the same quarter of previous year due to early redemption of subordinated debentures of KASIKORNBANK PCL No.1/2012 in the first quarter of 2017 and declining

average deposit rates. Non-interest income rose Baht 962 million or 6.22 percent as a result of increase in revenue from capital market products and net fees and service income. Other operating expenses rose Baht 530 million, or 3.35 percent, over the same period of previous year.

Major financial ratios that reflected operating performance of KBank and our subsidiaries in the third quarter of 2017 compared to the previous quarter and the same quarter of last year included:

(Unit: Percent)

Financial Ratio	Q3-2017	Q2-2017	Change	Q3-2016	Change
Return on Assets (ROA) ¹⁾	1.33	1.26	0.07	1.60	(0.27)
Return on Equity (ROE) ¹⁾	11.20	10.78	0.42	14.22	(3.02)
Net Interest Margin (NIM) ¹⁾	3.47	3.43	0.04	3.45	0.02
Non-Interest Income to Average Assets ¹⁾	2.30	2.24	0.06	2.27	0.03
Non-Interest Income Ratio	40.94	40.62	0.32	40.91	0.03
Cost to Income Ratio	40.70	40.32	0.38	41.79	(1.09)

¹⁾ Annualized

(Unit: Percent)

Financial Ratio	Sep. 30, 2017	Jun. 30, 2017	Change	Sep. 30, 2016	Change
Net NPLs to Total Loans	1.96	1.87	0.09	1.75	0.21
Gross NPLs to Total Loans	3.30	3.31	(0.01)	3.35	(0.05)
Coverage Ratio	140.66	141.17	(0.51)	127.27	13.39
Loans ²⁾ to Deposits Ratio	95.00	95.28	(0.28)	94.20	0.80
Loans ²⁾ to Deposits and B/E Ratio	95.00	95.28	(0.28)	94.19	0.81
Capital Adequacy Ratio ³⁾	18.23	17.63	0.60	19.46	(1.23)
Tier 1 Capital Ratio ³⁾	15.91	15.25	0.66	15.69	0.22

²⁾ Loans = Loans to customers less deferred revenue

³⁾ KASIKORNBANK FINANCIAL CONGLOMERATE's Capital Adequacy Ratio (CAR)

□ Net Interest Income

KBank's consolidated net interest income for the third quarter of 2017 was Baht 23,710 million, increasing Baht 367 million, or 1.57 percent over-quarter due mainly to higher interest income from interbank and money market items and interest income from loans, as well as a decrease of Baht 137 million in interest expenses, or 2.15 percent over-quarter. Our NIM for the third quarter of 2017, therefore, equaled 3.47 percent, higher than the previous quarter, and remained within the set target range of 3.3-3.5 percent.

Compared to the same quarter of the previous year, net interest income rose Baht 1,359 million, or 6.08 percent, due largely to higher interest income from loans and interest income from interbank and money market items while interest expenses dropped from the same quarter of the previous year as a result of early redemption of subordinated debentures of KASIKORNBANK PCL No.1/2012 in the first

quarter of 2017 and declining average deposit rates. As a result, our NIM in the third quarter of 2017 was higher than the same quarter of 2016.

(Unit: Million Baht)

	Q3-2017	Q2-2017	Change		Q3-2016	Change	
			Million Baht	Percent		Million Baht	Percent
Interest Income							
Interbank and Money Market Items	1,848	1,601	247	15.39	1,590	258	16.16
Deposits	254	275	(21)	(7.68)	97	157	161.12
Loans without Repurchase Agreements	146	121	25	20.73	90	56	62.32
Repurchase Agreements	1,448	1,205	243	20.12	1,403	45	3.16
Investments	4,161	4,342	(181)	(4.16)	3,849	312	8.10
Trading Investments	65	67	(2)	(2.55)	62	3	4.99
Available-for-Sale Investments	495	868	(373)	(42.94)	679	(184)	(27.11)
Held-to-Maturity Investments	3,601	3,407	194	5.69	3,108	493	15.86
Loans	22,662	22,529	133	0.59	22,245	417	1.88
Finance leases	1,283	1,252	31	2.44	1,253	30	2.37
Others	3	3	0	5.96	3	0	7.91
Total Interest Income	29,957	29,727	230	0.77	28,940	1,017	3.51
Total Interest Expenses	6,247	6,384	(137)	(2.15)	6,589	(342)	(5.20)
Total Interest Income – net	23,710	23,343	367	1.57	22,351	1,359	6.08
Yield on Earning Assets (percent)	4.38	4.36		0.02	4.47		(0.09)
Cost of Fund (percent)	1.23	1.25		(0.02)	1.32		(0.09)
Net Interest Margin (NIM) (percent)	3.47	3.43		0.04	3.45		(0.02)

□ Non-Interest Income

For the third quarter of 2017, KBank's consolidated non-interest income totaled Baht 16,435 million, increasing Baht 468 million, or 2.93 percent over-quarter. The increase was due mainly to increase in revenue from capital market products and net fees and service income. Net insurance premiums dropped from the previous quarter amid economic slowdown. In the third and second quarter of 2017, non-interest income ratio of KBank and our subsidiaries accounted for 40.94 percent and 40.62 percent, respectively. This was in alignment with KBank's target wherein non-interest income ratio would be around 40 percent of total income.

When compared to the same quarter of last year, consolidated non-interest income for the third quarter of 2017 increased Baht 962 million, or 6.22 percent, as a result of rising revenue from capital market products and net fees and service income.

(Unit: Million Baht)

	Q3-2017	Q2-2017	Change		Q3-2016	Change	
			Million Baht	Percent		Million Baht	Percent
Non-Interest Income							
Fees and Service Income	13,180	12,705	475	3.74	12,305	875	7.12
Fees and Service Expenses	2,538	2,490	48	1.93	2,382	156	6.59
Fees and Service Income - net	10,642	10,215	427	4.18	9,923	719	7.24
Gain on Trading and Foreign Exchange Transactions	1,710	2,209	(499)	(22.55)	2,368	(658)	(27.77)
Loss on Financial Liabilities Designated at Fair Value through Profit or Loss	(2)	1	(3)	(260.56)	3	(5)	(188.79)
Gain on Investments	2,175	577	1,598	276.81	359	1,816	507.18
Share of Profit from Investments using Equity Method	48	32	16	49.78	41	7	18.02
Dividend Income	475	773	(298)	(38.61)	396	79	19.91
Net Premiums Earned	19,790	29,727	(9,937)	(33.43)	20,866	(1,076)	(5.16)
Other Operating Income	293	365	(72)	(19.77)	274	19	6.93
<u>Less</u> Underwriting Expenses	18,696	27,932	(9,236)	(33.07)	18,757	(61)	(0.32)
Total Non-Interest Income	16,435	15,967	468	2.93	15,473	962	6.22
Non-Interest Income to Average Assets (percent)	2.30	2.24		0.06	2.27		0.03
Non-Interest Income Ratio (percent)	40.94	40.62		0.32	40.91		0.03
Net Fee Income to Net Total Operating Income Ratio (percent)	26.51	25.99		0.52	26.24		0.27

□ Other Operating Expenses

KBank's consolidated other operating expenses for the third quarter of 2017 was Baht 16,338 million, rising Baht 487 million, or 3.07 percent over-quarter, which was derived partly from rising employee expenses whereas premises and equipment expenses fell due mainly to a decrease in repair and maintenance expenses. Our cost to income ratio was equal to 40.70 percent, up from the previous quarter due to seasonality.

When compared to the same quarter of the previous year, other operating expenses increased by Baht 530 million, or 3.35 percent. However, our cost to income ratio of the third quarter of 2017 was lower than the 41.79 percent in the same quarter of last year.

(Unit: Million Baht)

	Q3-2017	Q2-2017	Change		Q3-2016	Change	
			Million Baht	Percent		Million Baht	Percent
Employee Expenses	8,239	7,462	777	10.40	7,910	329	4.16
Directors' Remuneration	22	83	(61)	(73.18)	23	(1)	(4.75)
Premises and Equipment Expenses	3,015	3,300	(285)	(8.62)	2,955	60	2.06
Taxes and Duties	1,128	1,130	(2)	(0.17)	1,104	24	2.15
Others	3,934	3,876	58	1.49	3,816	118	3.08
Total Other Operating Expenses	16,338	15,851	487	3.07	15,808	530	3.35
Cost to Income Ratio (percent)	40.70	40.32		0.38	41.79		(1.09)

□ Impairment Loss on Loans and Debt Securities

For the third quarter of 2017, KBank and our subsidiaries had Baht 10,405 million of impairment loss on loans and debt securities, a decrease of Baht 221 million or 2.08 percent, over-quarter, but an increase of Baht 3,538 million or 51.53 percent, over the same quarter of previous year. Thus, our credit cost in the third quarter of 2017 stood at 2.38 percent; lower than 2.46 percent in the previous quarter, but higher than 1.65 percent in the same quarter of last year.

Impairment Loss on Loans and Debt Securities

(Unit: Million Baht)

	Q3-2017	Q2-2017	Change		Q3-2016	Change	
			Million Baht	Percent		Million Baht	Percent
Impairment Loss on Loans and Debt Securities	10,405	10,626	(221)	(2.08)	6,867	3,538	51.53
Credit Cost (percent)	2.38	2.46		(0.08)	1.65		0.73

Allowance for Doubtful Accounts and Allowance for Impairment of Assets

As of September 30, 2017, KBank's consolidated allowance for doubtful accounts and revaluation allowance for debt restructuring totaled Baht 96,876 million. This amount was equivalent to 272.39 percent of the level required by the Bank of Thailand.

— Non-Performing Loans and Debt Restructuring

Non-Performing Loans

As of September 30, 2017, KBank's consolidated NPLs stood at Baht 68,873 million, 3.30 percent of the total outstanding credit, including that of financial institutions. Bank-only NPLs totaled Baht 66,917 million, 3.22 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 Quarter Ending	Sep. 30, 2017	Jun. 30, 2017
Consolidated NPLs	68,873	66,843
Percent of total outstanding credit, including that of financial institutions	3.30	3.31
Bank-only NPLs	66,917	64,866
Percent of total outstanding credit, including that of financial institutions	3.22	3.22

Net Non-Performing Loans

As of September 30, 2017, KBank's consolidated net NPLs stood at Baht 40,254 million – 1.96 percent of the total outstanding credit, including that of financial institutions. Bank-only net NPLs totaled Baht 39,561 million – 1.93 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 Quarter Ending	Sep. 30, 2017	Jun. 30, 2017
Consolidated net NPLs	40,254	37,290
Percent of total outstanding credit, including that of financial institutions	1.96	1.87
Bank-only net NPLs	39,561	36,572
Percent of total outstanding credit, including that of financial institutions	1.93	1.84

Debt Restructuring

As of September 30, 2017, KBank's consolidated restructured debts which incurred losses, totaled Baht 59,912 million, increasing by Baht 2,796 million, or 4.90 percent when compared to the second quarter of 2017.

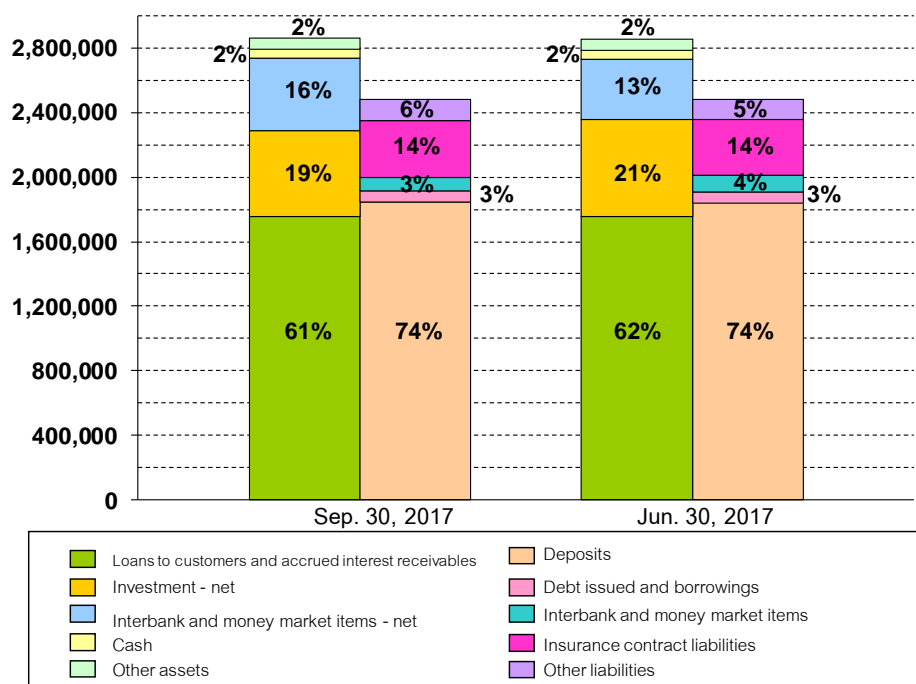
Foreclosed Properties

As of September 30, 2017, our consolidated foreclosed properties had a cost value of Baht 19,403 million, thus being 0.68 percent of total assets, and allowance for impairment on foreclosed properties stood at Baht 2,103 million, equivalent to 10.84 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.

4.2 Financial Position Analysis

Assets and Liabilities Structure

(Unit: Million Baht)



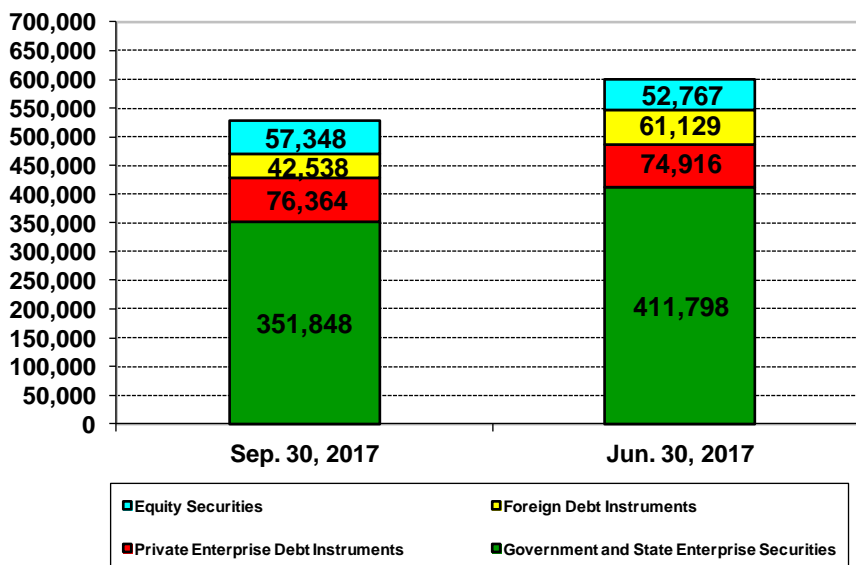
□ Assets

At the end of the third quarter of 2017, KBank's consolidated assets totaled Baht 2,863,314 million, increasing Baht 12,663 million or 0.44 percent from the end of the second quarter of 2017. The rise was due mainly to increase in net interbank and money market items (assets) whereas net investment decreased. The details are as follows:

- Net interbank and money market items (assets) totaled Baht 454,086 million at the end of the third quarter of 2017, increasing Baht 80,096 million or 21.42 percent from the end of the previous quarter, due mainly to KBank's liquidity management.
- Net investment totaled Baht 529,302 million at the end of the third quarter of 2017, decreasing by Baht 72,409 million or 12.03 percent from the end of the previous quarter, due mainly to sales of government bonds.

Investments in Securities

(Unit: Million Baht)



□ Liabilities and Equity

Our consolidated liabilities, at the end of the third quarter of 2017, amounted to Baht 2,483,603 million, increasing Baht 1,939 million or 0.08 percent, from the end of the second quarter of 2017. The increase was mainly attributable to increase in insurance contract liabilities and deposits while interbank and money market items (liabilities), and debt issued and borrowings decreased. Significant changes in our consolidated liabilities included:

- Insurance contract liabilities were registered at Baht 350,066 million at the end of the third quarter of 2017, up Baht 9,158 million or 2.69 percent from the end of the previous quarter, in line with growth in life insurance business.
- Deposits totaled Baht 1,844,427 million at the end of the third quarter of 2017, increasing by Baht 5,359 million or 0.29 percent from the end of the prior quarter due mainly to an increase in fixed-term deposits. KBank's deposits ranked the fourth-largest among Thai commercial banks.
- Interbank and money market items (liabilities) equaled Baht 84,239 million at the end of the third quarter of 2017, decreasing Baht 18,106 million or 17.69 percent from the end of the second quarter of 2017, due largely to a decrease in borrowings per private repurchase transactions.

At the end of this quarter, total equity attributable to equity holders of KBank amounted to Baht 342,451 million, increasing Baht 8,293 million or 2.48 percent from the end of the previous quarter, driven largely by net operating profit for the third quarter of 2017, totaling Baht 9,473 million. Payment of interim dividend of Baht 1,197 million derived from net profit of the first half of 2017 was made in September 2017.

□ Relationship between Sources and Uses of Funds

As of September 30, 2017, the funding structure as shown in the consolidated financial statement comprised Baht 2,483,603 million in liabilities and Baht 379,711 million in total equity, resulting in a debt-to-equity ratio of 6.54. The main source of funds on the liabilities side was deposits, which equaled Baht 1,844,427 million, or 64.42 percent of the total, as of September 30, 2017. Other sources of funds included interbank and money market items, as well as debt issued and borrowings, which accounted for 2.94 percent and 2.49 percent of the total, respectively.

As of September 30, 2017, KBank's and subsidiaries' major use of funds was loans less deferred revenue, amounted to Baht 1,752,249 million, resulting in loan-to-deposit ratio and loan-to-deposit plus bills of exchange ratio of 95.00 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.

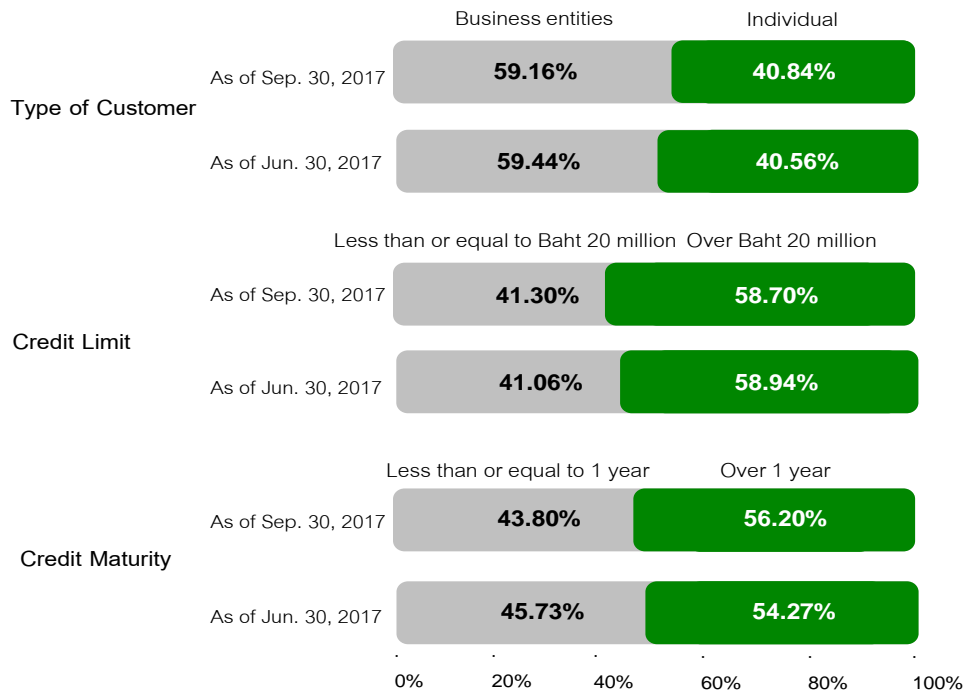
4.3 Loans and Deposits

□ Loans

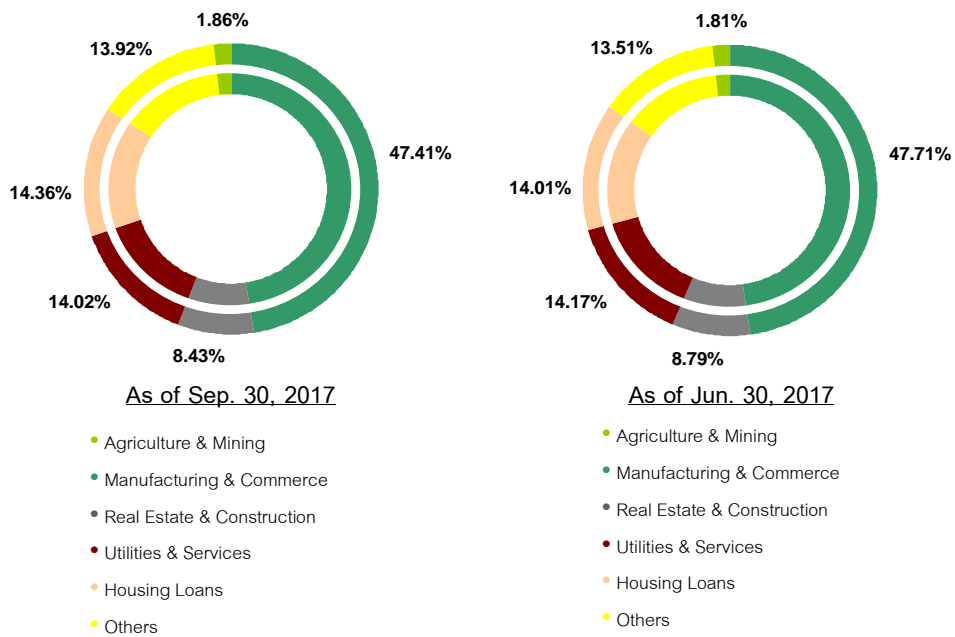
As of September 30, 2017, KBank's consolidated outstanding loans stood at Baht 1,752,249 million, increasing by Baht 22 million, or 0.001 percent, compared to Baht 1,752,227 million as of June 30, 2017.

As of September 30, 2017, 59.16 percent of KBank's outstanding loans were made to juristic persons or registered businesses. Loan account exceeding Baht 20 million totaled Baht 1,011,652 million, or 58.70 percent of the total; 41.30 percent were loans under Baht 20 million. As for maturities, credit with maturities of less than or equal to one year accounted for 43.80 percent of our total loans.

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



KBank's Consolidated Lending Portfolio

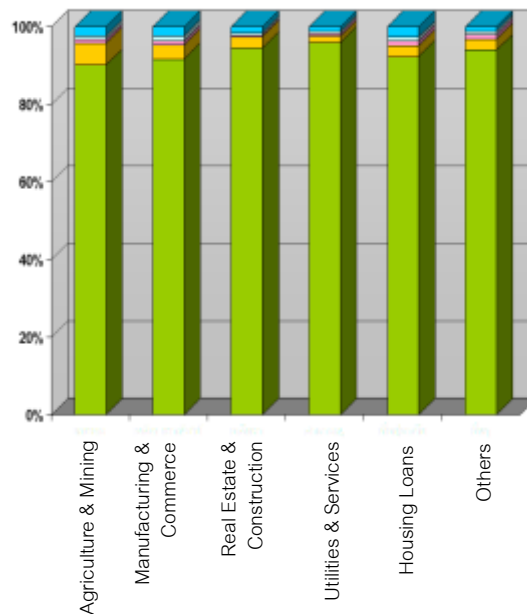
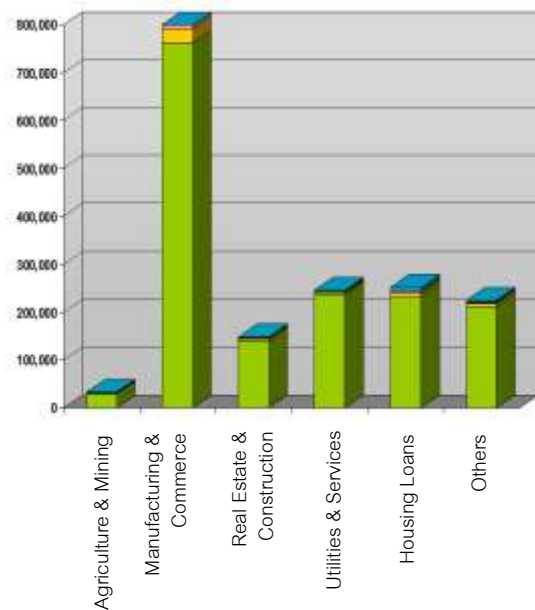


As of Sep. 30, 2017

Consolidated Loans Classified
by Type of Business and Loan Classification

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

Unit: Million Baht



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

Within KBank's consolidated lending portfolio, 92.94 percent were classified as "Normal" loans. When sub-divided by type of business, Manufacturing & Commerce represented the highest share of total consolidated lending at 47.41 percent; of that 91.74 percent were classified as "Normal" loans.

Loans Classified by Business

(Unit: Million Baht)

	Sep. 30, 2017		Jun. 30, 2017	
	Corporate Business ¹⁾	Retail Business ²⁾	Corporate Business ¹⁾	Retail Business ²⁾
Loans	1,234,451	428,376	1,235,521	423,229

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 the third quarter of 2017, our corporate business loans (corporate and SME customers) were steady compared to the previous quarter. Among the business sectors continually seeking financial support were the real estate business, service sector and agro-industry.

Our SME loans enjoyed healthy growth in this quarter in line with the overall economic recovery due to government spending through investment and economic stimulus efforts. Among main beneficiaries were construction business and building material suppliers, which were steady in their demand for loans. Our policy to support the government's projects, especially regarding the National E-Payment Master Plan, helped facilitate customers in their financial transactions and strengthen our customers' businesses both at home and abroad.

For our retail loans, KBank maintained a cautious growth policy in alignment with overall market conditions so as to maintain our loan quality and hold on to our market leadership in major loan products. In the third quarter of 2017, our retail loans increased slightly, by 1.22 percent from the end of the second quarter of 2017, derived mainly from improved housing loan owing to KBank's collaborations with our business partners in arranging marketing activities and campaigns that satisfied customer needs and lessened their burdens, including the offering of home loan for senior citizens in response to the government's policy. At the same time, consumer loan rose with improvement of other types of personal loan, thanks to our effective customer screening.

□ Deposits

Deposits Classified by Type of Deposit Account

(Unit: Million Baht)

	Percent of Total Deposits	Deposits		Change	
		Sep. 30, 2017	Jun. 30, 2017	Million Baht	Percent
Total Deposits	100.00	1,844,427	1,839,068	5,359	0.29
Current accounts	5.57	102,733	98,106	4,627	4.72
Savings accounts	72.02	1,328,303	1,335,246	(6,943)	(0.52)
Fixed-term deposit accounts	22.41	413,391	405,716	7,675	1.89

During the third quarter of 2017, total deposits rose 0.29 percent from the second quarter of 2017, an increase derived from current and fixed-term deposit accounts, while savings accounts dropped slightly but still maintained the highest share per our policy for management of deposits, which must be kept at levels appropriate for business operation and competition. Meanwhile, KBank launched special fixed-term deposit products in various formats as well as other investment vehicles yielding higher returns with acceptable risk levels, as alternatives to matured fixed deposits.

4.4 Treasury Operations

□ Treasury Operations

During the third quarter of 2017, overnight interbank lending rates remained stable from the previous quarter, standing at 1.40 percent p.a. Those steady rates were influenced by the three most recent MPC meeting resolutions during July-September 2017, wherein the key policy rate was kept at 1.50 percent, p.a. Meanwhile, interbank lending transactions rose slightly over the preceding quarter.

KBank focused on investment in short-term bonds with maturities of 1-2 years, which should be resilient to the US policy rate hike expected to occur later this year. KBank therefore increased our holdings in short-term foreign bonds which offered higher returns than their domestic counterparts with comparable risks.

Treasury Operations Income

(Unit: Million Baht)

Income Structure of Treasury Operations (Banking Book)	Percent of Total Income	Q3-2017	Q2-2017	Change	
				Million Baht	Percent
Interest income					
Interbank and money market items ¹⁾	73.08	1,661	1,420	241	16.97
Investments	26.92	612	988	(376)	(38.06)
Total	100.00	2,273	2,408	(135)	(5.61)

Note: ¹⁾ Including loans

Total interest income from treasury operations for the third quarter of 2017 stood at Baht 2,273 million, decreasing Baht 135 million from the previous quarter, due to portfolio adjustment and decreased liquidity.

4.5 Capital Requirements ¹⁾

As of the end of the third quarter of 2017, KBank, under the Basel III capital requirements, had capital funds of Baht 327,790 million, consisting of Baht 278,869 million in Tier-1 capital and Baht 48,921 million in Tier-2 capital. The capital adequacy ratio of KBank was 17.40 percent, above the BOT's minimum requirement and conservation buffer of 9.75 percent. Details of the capital adequacy ratio of KBank are shown in the following tables:

Capital Adequacy Ratio

- The Bank

(Unit: Percent)

Capital Adequacy Ratio	Basel III						
	Minimum Requirement & Conservation Buffer ⁴	Sep. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Minimum Requirement & Conservation Buffer ⁴	Dec. 31, 2016	Sep. 30, 2016
Tier-1 Capital Ratio ³⁾	7.25	14.81	14.25	14.17	6.625	14.27	14.78
<i>Common Equity Tier-1 Ratio</i>	5.75	14.81	14.25	14.17	5.125	14.27	14.78
Tier-2 Capital Ratio	-	2.59	2.62	2.68	-	3.90	4.00
Capital Adequacy Ratio	9.75	17.40	16.87	16.85	9.125	18.17	18.78

- KASIKORNBANK FINANCIAL CONGLOMERATE²⁾

(Unit: Percent)

Capital Adequacy Ratio	Basel III						
	Minimum Requirement & Conservation Buffer ⁴	Sep. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Minimum Requirement & Conservation Buffer ⁴	Dec. 31, 2016	Sep. 30, 2016
Tier-1 Capital Ratio ³⁾	7.25	15.91	15.25	15.03	6.625	15.16	15.69
<i>Common Equity Tier-1 Ratio</i>	5.75	15.91	15.25	15.03	5.125	15.16	15.69
Tier-2 Capital Ratio	-	2.32	2.38	2.48	-	3.68	3.77
Capital Adequacy Ratio	9.75	18.23	17.63	17.51	9.125	18.84	19.46

- 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 also counted as capital after approval of the General Meeting of Shareholders. However, whenever a net loss occurs, the capital must be immediately reduced at the end of period.
 - ²⁾ KASIKORNBANK FINANCIAL CONGLOMERATE means the company under the Notification of the Bank of Thailand Re: Consolidated Supervision, consisting of KASIKORNBANK, K Companies and subsidiaries operating in support of KBank, Phethai Asset Management Co., Ltd. and other subsidiaries within the permitted scope from the BOT's to be a financial conglomerate.
 - ³⁾ According to Basel III Capital Requirements, Tier-1 Capital is required to include phase-in or phase-out items at 20 percent p.a. from January 1, 2014, onwards, until reaching 100 percent in 2018.
 - ⁴⁾ Conservation buffer requires an additional Common Equity Tier 1 at 0.625 percent p.a. from January 1, 2016 onwards until reaching 2.50 percent in 2019.

4.6 Credit Ratings

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

Details are shown in the following table.

KASIKORNBANK's Credit Ratings	
Credit Ratings Agency	Sep. 30, 2017
Moody's Investors Service¹⁾	
<u>Foreign Currency</u>	
Outlook	Stable
Long-term - Senior Unsecured Notes	Baa1
- Deposit	Baa1
- Counterparty Risk Assessments	Baa1(cr)
Short-term - Debt/Deposit	P-2
- Counterparty Risk Assessments	P-2(cr)
Subordinated Debt	Baa3
Baseline Credit Assessment	Baa2
<u>Domestic Currency</u>	
Outlook	Stable
Long-term - Deposit	Baa1
Short-term - Debt/Deposit	P-2
<hr/>	
Standard & Poor's^{1) 2)}	
<u>Global Scale Ratings</u>	
Outlook	Stable
Long-term Counterparty Credit Rating	BBB+
Long-term Certificate of Deposit	BBB+
Short-term Counterparty Credit Rating	A-2
Short-term Certificate of Deposit	A-2
Senior Unsecured Notes (Foreign Currency)	BBB+
Subordinated Debt (Foreign Currency)	BBB
<hr/>	
Fitch Ratings¹⁾	
<u>International Credit Ratings (Foreign Currency)</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-

National Credit Ratings

Outlook	Stable
Long-term	AA+(tha)
Short-term	F1+(tha)
Subordinated Debt (legacy Basel II Tier 2 securities)	AA(th)
Subordinated Debt (Basel III-compliant Tier 2 securities)	AA(th)

Notes: ¹⁾ The base levels for investment grade on long-term credit ratings for Moody's Investors Service, Standard & Poor's, and Fitch Ratings are Baa3, BBB- and BBB-, respectively. For short-term credit ratings, the base levels for investment grade as viewed by these three agencies are P-3, A-3, and F3, respectively.

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

5. Operations of Support Groups

5.1. Human Resource Management

KBank has placed emphasis on human resource management to support our operations in four key areas, namely KASIKORN BUSINESS-TECHNOLOGY GROUP (KBTG), business expansion within the AEC+3, support of KBank operations in the digital age and other related operations, to ensure greater efficiency in our human resource management operations.

- **KBTG Human Resource Management**

We prioritize recruitment and selection of students and experienced personnel with IT skills to be part of KBTG's workforce through KBTG Career Day 2017. With the aim of developing, maintaining and fostering KBTG's culture of technological innovation, personnel have been encouraged to showcase their potential and ability through numerous activities, namely, TechJam by KBTG 2017, STARTUP Thailand 2017 and Digital Thailand Big Bang 2017. Meanwhile, KBTG staff participated in trials of K PLUS: QR Code for payment at shops on KBank premises. Along with first-hand experience, they are thus enabled to convey the convenience and security of the product to customers in the most effective way, paving the way in turn for innovative design and development of future products and services.

- **Human Resource Management for Business Expansion within AEC+3**

KBank has conducted studies in order to design a manpower structure that matches our service model within AEC+3 countries while also developing and improving our internal process regarding human resources for enhanced work efficiency to cope with the region's growing banking business. To this end, career path development programs have been developed, such as the AEC Development Program for employee preparedness, and the KBanker Academy learning course designed specifically for frontline KBank officers in Thailand, China and AEC countries. Along with local staff development, staff orientation programs have been organized for staff taking positions abroad, preparing them to respond quickly to business needs and to compete in the local labor market.

As support for business operations in the People's Republic of China after the establishment of a locally incorporated institution (LII) was approved, KBank has conducted recruitment and training for staff in various positions via both physical classrooms and e-Learning. We have also initiated the Competency to Career program to analyze competency models and implement career paths for employees, especially those with high potential.

- **Human Resource Management in Support of KBank Operations in the Digital Age**

KBank has built up our IT infrastructure to enable staff of KBank and K Companies to access data and work anywhere, anytime via the Digital Workplace Project. Tools have been enhanced for more effective and efficient teamwork, and databases have been upgraded and redesigned for easier search and access. Furthermore, the HR Service Portal has been enhanced to allow employees access off as well as on KBank premises, in keeping with the Life+ concept, allowing for greater work convenience and

flexibility. To foster better working experiences in harmony with new generation digital workstyles, KBank has initiated an online society to promote the sharing of knowledge and experience.

- **Other Human Resource Management Operations**

- **Employee recruitment:** Emphasis is placed on selection and recruitment of high-potential personnel while carrying out KBank branding programs. Notable activities included the KBank Campus Roadshow and Get Inspired by K-Expert, where attendees were given investment knowledge and advice. These activities provided opportunities for students to apply for positions at KBank. Relationships with tech students abroad were cultivated at KASIKORNTHAI x TALENT ENGAGEMENT activities in which experiences are shared with KBank executives.
- **Employee development:** To bolster digital capability among our employees, KBank organized a seminar entitled, "Leader Talks: Walk Through World-Leading Companies' Success", where our high-level executives and gurus from leading tech companies with experience both in Thailand and abroad gave a talk on the importance of digital literacy and data analytics in the changing world. Moreover, learning courses were arranged to provide in-depth knowledge to various work teams responsible for a number of projects to equip them with needed competencies and to help them be more responsive to customer needs in the digital era.
- **Leadership development:** The K-Coaching Academy, a continuing program with curricula based on standards of the International Coaching Federation, provides executives with professional coaching skills, helping them fully to draw out staff potential and boost motivation for the achievement of goals. To promote a good coaching environment within the organization, we launched campaigns via various activities and media, including the "Coach Me Please!" KASIKORNTV program. Special seminars were also held as forums for top executives from leading organizations and KBank to share their perspectives on management. Of note was the seminar entitled, "Leading Towards a Changing World".
- **Promotion and maintenance of employee engagement:** An employee engagement survey was conducted to give all staff members opportunity to offer feedback and suggestions on affairs of KBank and K Companies. The survey results, to be obtained in the fourth quarter, will feed into guidelines for developing a plan to enhance employee engagement in a sustainable manner.
- **Organizational culture creation:** The VP Retreat: One for All, and All for One was held for KBank and K Companies' Vice Presidents and those of an equivalent position to promote creativity and collaboration – among KBank's Core Values. The activity was a continuation from last year's similar event which was organized for First Vice Presidents and other executives at a higher level.

- **Employee relations and benefits:** The third Employees' Committee meeting was held to allow for consultations and problem-solving discussions between KBank and the Employees' Committee, deepening our bond with the workforce. In collaboration with the KASIKORNBANK Labour Union and KASIKORNBANK Officer Labour Union, KBank took remedial actions for employees performing in violation of regulatory requirements to ensure strict compliance among our staff members. These efforts were instrumental in maintaining the high level of service our employees give to our customers, and in minimizing operational risks. We also established practical guidelines on various key issues in compliance with labour laws of AEC countries and Japan so that our employees can perform their work correctly, thus mitigating compliance risk in those countries.
- **Communication management for economic, social and environmental sustainability under the "Green DNA" resolution:** The Green DNA 2017 project was launched to encourage employees to accumulate hours of good deeds, with a collective goal of 50,000 hours. KBank supports the effort financially and timewise in the form of one work day per person per year. Continuing into the third quarter, staff has so far clocked about 38,400 hours under the campaign. The "*Dok Chabathip Phuea Pho* (Flowers for Our Father)" project was also debuted, giving KBank employees the opportunity of participating in fashioning ceremonial flowers for the royal cremation of His Majesty King Bhumibol Adulyadej.

5.2 IT Management

In the third quarter of 2017, KBTG conducted studies in technological development, in alignment with our strategy of maintaining KBank's competitiveness together with our position as the number-one digital banking provider, to cope with fast-changing consumer behaviors in this highly competitive, technology-driven marketplace. Our key initiatives can be summarized as follows.

- **K PLUS Platform:** KBank mobile banking platform comprises the following three services:
 1. K PLUS – KBank mobile banking app: We have added a function for signing up for K PLUS Shop service through identity authentication via K PLUS. K PLUS Shop service within the BOT's regulatory sandbox is now available on a trial basis at three shopping areas including Siam Square, Chatuchak Weekend Market and The Platinum Fashion Mall, Pratunam. QR code bill payment via mobile phone has been developed as an additional payment channel, while goods are being offered via Life PLUS on a trial basis, allowing customers to place orders with delivery service. The service is scheduled to be available for customers by the end of this year.
 2. K PLUS SME – KBank mobile banking app for SMEs: We elevated K PLUS SME capability with added functions including bill payment and statement request for both savings and current accounts.

3. K PLUS SHOP – KBank mobile banking app for merchants that accommodates payment with QR code via any mobile banking app and serves as e-Wallet. The service provides greater convenience for both merchants and customers while also enhancing sales management efficiency for retailers. In this quarter, cashless payment function via K PLUS was developed to better meet the needs of both shops and customers who can use the service on a single app by scanning the QR code of a K PLUS Merchant when making bill payments

- **Develop a mobile financial application designed for visually impaired persons:** Initiated by Beacon Interface Company Limited, a fintech startup which is a joint venture set up by KBank, this new mobile app, the features of which are being developed and improved, is slated for completion within the fourth quarter of 2017.

- **Study and develop an Application Programming Interface (API) Manager system:** We are in the process of compiling data and mapping out strategies in response to the FinTech requirements, with prominence given to data suitability and security.

- **Study use case and machine learning techniques to be applied to KBank businesses:** We have started to offer our products based on customer behavior studies to target groups via SMS, e-mail, and the Mobile Life Plus application on a trial basis. Staff members have participated in product trials, and the results will be analyzed to shed light on their behaviors and lifestyles to determine formats and guidelines for the introduction of products and services to customers with similar behaviors.

- **Develop functions of blockchain to better respond to business needs:** The Hyperledger blockchain platform has been applied to letter of guarantee issuance for some state enterprises, in addition to our Multi-Corporate Business customers.

- **Study and develop Electronic Know Your Customer (e-KYC):** KBank, the Electronic Transactions Development Agency and other banks have established a working group to design formats for sharing data among banks via a Digital Identity Platform as a common standard for electronic transactions for all banks.

Disclaimer

Certain statements shown in this document are forward-looking statements in respect of financial position or performance of KASIKORNBANK Public Company Limited ("KBank"). KBank has prepared such statements based on several assumptions, and has relied on the financial and other information made available from public sources as of the date these statements were made. Statements with words such as "expect", "believe", "estimate", etc., are types of forward-looking statements involving uncertainties and subject to change at any time due to future events, including but not limited to, changes in the global/national economic, political and regulatory environment. KBank is under no obligation to update these forward-looking statements to correspond to the current situation. Thus, recipients shall carefully review these statements and make an independent decision prior to investing or entering into any transaction.

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