

**KASIKORNBANK PUBLIC COMPANY LIMITED**  
**and its Subsidiaries**

Financial statements for the year ended

31 December 2016

and

Independent Auditor's Report

## Independent Auditor's Report

To the Shareholders of KASIKORNBANK PUBLIC COMPANY LIMITED

### *Opinion*

I have audited the consolidated and the Bank-only financial statements of KASIKORNBANK PUBLIC COMPANY LIMITED and its subsidiaries ("the Bank and its subsidiaries"), and of KASIKORNBANK PUBLIC COMPANY LIMITED ("the Bank"), respectively, which comprise the consolidated and the Bank-only statements of financial positions as at 31 December 2016, the consolidated and the Bank-only statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying consolidated and the Bank-only financial statements present fairly, in all material respects, the financial position of the Bank and its subsidiaries and of the Bank, respectively, as at 31 December 2016 and their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

### *Basis for Opinion*

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and the Bank-only Financial Statements* section of my report. I am independent of the Bank and its subsidiaries and of the Bank in accordance with the Code of Ethics for Professional Accountants issued by the Federation of Accounting Professions under the Royal Patronage of His Majesty the King that are relevant to my audit of the consolidated and the Bank-only financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### *Key Audit Matters*

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the consolidated and the Bank-only financial statements of the current period. These matters were addressed in the context of my audit of the consolidated and the Bank-only financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

## **Allowance for doubtful accounts on loans to customers**

For disclosures related to credit risk, loans to customers and allowance, refer to notes 3.6, 10, 12, and 45

### **The Key Audit Matter**

As at 31 December 2016, loans to customers representing 59.99% and 67.78% of consolidated and the Bank-only total assets, respectively against which an allowance for doubtful accounts of Baht 82,418 million and Baht 79,921 million respectively was provided.

The estimation of the allowance involves applying statistical methods and judgments. The allowance is determined based on the key factors such as historical loss, estimated loss, credit risk, collateral, economic conditions and management experience. Accordingly it is considered a Key Audit Matter.

There are two bases in estimating the allowance; individual basis and portfolio basis. The former involves a number of factors in determining the amount of allowance; for example, credit ratings, loan classifications, as well as types and values of collaterals. On the other hand, the portfolio basis is applied to certain groups of customers with shared risk characteristics, e.g. customer behavior and loan classifications, and it involves factors like historical loss for specified groups of customers for estimation.

Management has established a control framework over the estimation process of the allowance for doubtful accounts which includes governance procedures, management review and approval, and controls to ensure the integrity of data used in the process and compliance with relevant bank's policies and regulations.

### **How the matter was addressed in my audit**

In planning my audit procedures I performed a risk assessment by considering internal and external factors which could affect the performance of individual customers, industry sectors or customer segments, or which could influence the judgments and estimates.

My audit procedures included testing the design and operating effectiveness of selected controls surrounding the credit and impairment process.

I performed credit review procedures for a sample of loans, including a detailed review of the individual credit profile and other relevant information, from which I formed my own independent assessment. My sample included individually large exposures, loans subject to restructuring and reschedule as well as a selection of loans identified in my risk assessment.

I tested model assumptions & methodologies, where appropriate, including involvement of my own credit risk specialists, reconciliation of data to underlying systems and back-testing results.

## **Valuation of financial instruments in the statements of financial position**

For disclosures related to financial instruments and fair values, refer to notes 3.31, 45, and 46

### **The Key Audit Matter**

As at 31 December 2016, financial instruments recorded at fair value in the consolidated financial statements amounted to Baht 378,923 million for assets and Baht 28,740 million for liabilities. In the Bank-only financial statements, these two accounts amounted to Baht 323,104 million and Baht 28,924 million respectively.

Of these amounts, there are certain portions that are classified as "Level 2" in the fair value hierarchy, for which the fair value is based upon inputs other than quoted prices in active markets or valuation techniques incorporating those inputs. Therefore, judgment is applied in the estimation of fair values. This can lead to a higher risk that the amounts of financial instruments shown in the statement of financial position may be mispriced.

As at 31 December 2016, financial assets and liabilities designated at level 2 fair value in the consolidated financial statements amounted to Baht 339,263 million and Baht 28,653 million respectively. As for the Bank-only financial statements, they are priced at Baht 316,333 million for assets and Baht 28,924 million for liabilities.

### **How the matter was addressed in my audit**

In planning my audit procedures I performed a risk assessment by considering the factors which could affect the fair value of financial instruments, both in terms of the inputs used for valuation and the appropriateness of valuation techniques applied.

For financial instruments I checked for a selection that pricing inputs, for example interest rate, foreign exchange rate, and equity price, used were externally sourced and were correctly input into pricing models. I used my own valuation specialists to assess that the models were appropriate and they valued a selection of the Bank and its subsidiaries' equity securities, debt securities, and derivative positions independently and compared their valuation to the Bank and its subsidiaries' valuation.

## **Valuation of life insurance policy reserves**

For disclosures related to life insurance policy reserves, refer to notes 3.18, 24, and 45

### **The Key Audit Matter**

As at 31 December 2016, insurance contract liabilities recorded in respect of a subsidiary in the consolidated financial statements amounted to Baht 305,824 million, mainly the long-term technical reserves (approximately 98.75% of insurance contract liabilities). The valuation of these reserves is based on actuarial methodologies and assumptions that involve significant complex judgments about future events which could materially affect the amount of the recorded liability and expense. Accordingly it is considered a Key Audit Matter.

### **How the matter was addressed in my audit**

In planning my audit procedures I performed a risk assessment by considering factors which could affect the major valuation assumptions and controls framework. These major assumptions include economic assumptions such as investment returns and discount rates and non-economic assumptions such as mortality and persistency.

My audit procedures, with the assistance of my actuarial specialists, include assessments of the methodology and assumptions used in calculating the reserves and testing the significant inputs included evaluating the design, implementation and operating effectiveness of selected controls over the actuarial assumptions, data and the valuation process.

I considered, in particular, the validity of management's liability adequacy testing, including assessing the reasonableness of the discount rate adopted and projected cash flows, and challenging the assumptions adopted in the context of company experience, specific product features and industry practice. The discount rates adopted by management are consistent with market practice.

### *Other Information*

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated and the Bank-only financial statements and my auditor's report thereon. The annual report is expected to be made available to me after the date of this auditor's report.

My opinion on the consolidated and the Bank-only financial statements does not cover the other information and I will not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated and the Bank-only financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and the Bank-only financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

*Responsibilities of Management and Those Charged with Governance for the Consolidated and the Bank-only Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated and the Bank-only financial statements in accordance with TFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated and the Bank-only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and the Bank-only financial statements, management is responsible for assessing the Bank and its subsidiaries' and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank and its subsidiaries and the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank and its subsidiaries' and the Bank's financial reporting process.

*Auditor's Responsibilities for the Audit of the Consolidated and the Bank-only Financial Statements*

My objectives are to obtain reasonable assurance about whether the consolidated and the Bank-only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and the Bank-only financial statements.

As part of an audit in accordance with TSAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated and the Bank-only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank and its subsidiaries' and of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank and its subsidiaries' and the Bank's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated and the Bank-only financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Bank and its subsidiaries and the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and the Bank-only financial statements, including the disclosures, and whether the consolidated and the Bank-only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank and its subsidiaries to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the consolidated and the Bank-only financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



(Charoen Phosamritlert)  
Certified Public Accountant  
Registration No. 4068

KPMG Phoomchai Audit Ltd.  
Bangkok  
23 February 2017



## KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

## STATEMENTS OF FINANCIAL POSITION

		Thousand Baht			
		Consolidated		The Bank	
	Note	31 December 2016	31 December 2015	31 December 2016	31 December 2015
ASSETS					
Cash		60,588,798	56,226,230	60,541,754	56,203,527
Interbank and money market items - net	6	349,206,519	308,744,496	338,192,122	298,523,171
Claims on security		6,530	1,288	-	-
Derivative assets	7	31,765,140	31,830,604	32,026,598	32,513,462
Investments - net	8	649,597,727	477,200,035	320,870,527	213,198,650
Investments in subsidiaries and associates - net	9	781,163	662,368	15,438,978	14,475,750
Loans to customers and accrued interest receivables - net	10 , 11				
Loans to customers		1,707,234,699	1,619,526,585	1,672,246,136	1,588,064,981
Accrued interest receivables		3,491,802	3,088,273	3,052,902	2,706,922
Total Loans to customers and accrued interest receivables		1,710,726,501	1,622,614,858	1,675,299,038	1,590,771,903
<u>Less</u> Deferred revenue		(9,653,955)	(9,639,590)	(339,057)	(293,927)
<u>Less</u> Allowance for doubtful accounts	12	(82,418,056)	(60,901,538)	(79,920,653)	(59,135,674)
<u>Less</u> Revaluation allowance for debt restructuring	13	(2,793,966)	(3,415,769)	(2,793,966)	(3,415,756)
Total Loans to customers and accrued interest receivables - net		1,615,860,524	1,548,657,961	1,592,245,362	1,527,926,546
Customers' liability under acceptances		2,582,569	130,862	2,582,569	130,862
Properties foreclosed - net	14	15,443,877	14,196,584	15,283,129	13,865,038
Premises and equipment - net	16	49,727,867	45,284,434	41,052,028	36,850,925
Goodwill and other intangible assets - net	17	23,969,609	24,234,227	19,016,854	19,538,162
Deferred tax assets	18	4,572,254	5,584,612	3,835,422	4,614,921
Collateral per credit support annex		9,793,335	13,861,552	9,793,335	13,861,552
Other assets - net		31,971,665	28,690,119	16,373,658	16,564,302
Total Assets		2,845,867,577	2,555,305,372	2,467,252,336	2,248,266,868

## KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

## STATEMENTS OF FINANCIAL POSITION

		Thousand Baht			
		Consolidated		The Bank	
	Note	31 December 2016	31 December 2015	31 December 2016	31 December 2015
LIABILITIES AND EQUITY					
Deposits	19	1,794,835,096	1,705,379,017	1,798,440,168	1,708,593,777
Interbank and money market items	20	160,052,342	71,465,737	169,508,323	81,844,870
Liabilities payable on demand		19,845,973	23,545,166	19,845,973	23,544,465
Liabilities to deliver security		649,817	121,282	-	-
Financial liabilities designated at fair value through profit or loss	21	-	38,890	-	38,890
Derivative liabilities	7	31,629,510	33,570,889	30,015,390	31,703,137
Debts issued and borrowings	22	96,375,833	85,577,772	96,208,164	85,382,126
Bank's liability under acceptances		2,582,569	130,862	2,582,569	130,862
Provisions	23	22,494,499	21,586,936	21,323,796	20,767,651
Deferred tax liabilities	18	1,806,825	1,907,000	-	-
Insurance contract liabilities	24	305,823,756	251,447,597	-	-
Other liabilities		55,859,764	48,321,275	34,978,940	32,307,029
Total Liabilities		2,491,955,984	2,243,092,423	2,172,903,323	1,984,312,807
Equity					
Share capital	25				
Authorized share capital					
3,048,614,697 common shares, Baht 10 par value		30,486,147	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	23,932,602
Premium on common shares		18,103,110	18,103,110	18,103,110	18,103,110
Other reserves		19,786,356	14,843,155	16,952,416	12,924,550
Retained earnings					
Appropriated					
Legal reserve	26	3,050,000	3,050,000	3,050,000	3,050,000
Unappropriated		256,874,044	225,870,851	232,310,885	205,943,799
Total Equity attributable to equity holders of the Bank		321,746,112	285,799,718	294,349,013	263,954,061
Non-controlling interests	9	32,165,481	26,413,231	-	-
Total Equity		353,911,593	312,212,949	294,349,013	263,954,061
Total Liabilities and Equity		2,845,867,577	2,555,305,372	2,467,252,336	2,248,266,868



(Mr. Banthoon Lamsam)

Chairman of the Board and Chief Executive Officer



(Mr. Predee Daochai)

President

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

		Thousand Baht			
		Consolidated		The Bank	
		For the year ended 31 December		For the year ended 31 December	
Note		2016	2015	2016	2015
Interest income	36	115,872,881	114,353,841	100,509,100	101,107,572
Interest expenses	37	26,195,093	29,341,410	26,137,839	29,227,968
Interest income - net		89,677,788	85,012,431	74,371,261	71,879,604
Fees and service income		48,631,263	46,412,952	48,092,898	47,061,082
Fees and service expenses		9,687,936	8,886,896	9,480,157	8,844,143
Fees and service income - net	38	38,943,327	37,526,056	38,612,741	38,216,939
Gain on trading and foreign exchange transactions	39	8,746,212	8,887,147	8,574,495	8,592,024
Loss on financial liabilities designated at fair value through profit or loss	40	(4,175)	(6,368)	(4,175)	(6,368)
Gain on investments	41	1,587,638	785,314	1,020,290	358,114
Share of profit from investments using equity method		116,696	95,841	-	-
Dividend income		1,609,208	1,345,526	3,671,519	2,543,939
Net premiums earned		94,445,248	85,380,326	-	-
Other operating income		2,462,467	1,528,274	5,560,373	5,115,474
Total operating income		237,584,409	220,554,547	131,806,504	126,699,726
Underwriting expenses		84,181,733	73,039,421	-	-
Total operating income - net		153,402,676	147,515,126	131,806,504	126,699,726
Other operating expenses					
Employee expenses		30,201,493	28,928,689	22,357,662	22,281,198
Directors' remuneration		138,415	134,424	89,637	85,759
Premises and equipment expenses		12,433,822	13,234,826	12,468,570	13,023,333
Taxes and duties		4,476,461	4,222,929	4,018,372	3,832,944
Impairment on application software		-	2,314,508	-	2,314,508
Others		16,604,189	17,820,771	16,968,457	17,255,578
Total other operating expenses		63,854,380	66,656,147	55,902,698	58,793,320
Impairment loss on loans and debt securities	42	33,752,607	26,377,292	32,931,330	25,767,764
Operating profit before income tax expense		55,795,689	54,481,687	42,972,476	42,138,642
Income tax expense	43	10,455,952	10,527,123	7,458,130	7,737,985
Net profit		45,339,737	43,954,564	35,514,346	34,400,657
Other comprehensive income					
Items that will be reclassified subsequently to profit or loss					
Gain (loss) on remeasurement of available-for-sale investments		3,549,524	(1,896,026)	775,014	202,179
Loss arising from translating the financial statements of a foreign operation	44	(110,666)	(285,465)	(118,895)	(258,858)
Income taxes relating to components of other comprehensive income	18	(734,209)	348,510	(201,686)	(41,050)
Items that will not be reclassified subsequently to profit or loss					
Changes in revaluation surplus	16	4,660,080	-	4,660,080	-
Actuarial gain (loss) on defined benefit plans	23	329,389	(420,259)	331,826	(272,976)
Income taxes relating to components of other comprehensive income	18	(997,894)	75,032	(998,381)	54,596
Total other comprehensive income		6,696,224	(2,178,208)	4,447,958	(316,109)
Total comprehensive income		52,035,961	41,776,356	39,962,304	34,084,548
Net profit attributable to :					
Equity holders of the Bank		40,174,100	39,473,635	35,514,346	34,400,657
Non-controlling interests		5,165,637	4,480,929	-	-
Total comprehensive income attributable to :					
Equity holders of the Bank		45,537,588	38,311,307	39,962,304	34,084,548
Non-controlling interests		6,498,373	3,465,049	-	-
Earnings per share of equity holders of the Bank					
Basic earnings per share (Baht)	25	16.79	16.49	14.84	14.37
Weighted average number of common shares (Thousand shares)		2,393,260	2,393,260	2,393,260	2,393,260



(Mr. Banthoon Lamsam)

Chairman of the Board and Chief Executive Officer



(Mr. Predee Daochai)

President


## KASIKORNBANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

## STATEMENTS OF CHANGES IN EQUITY


		Thousand Baht										
		Consolidated										
Note	Equity holders of the Bank									Non-controlling	Total	
	Issued and Paid-up Share Capital	Premium on Share Capital	Other reserves				Retained Earnings		Total equity	Interests		
			Appraisal	Revaluation	Foreign	Total	Appropriated	Unappropriated	attributable to equity holders of the Bank			
			Surplus on	Surplus on	Currency	other	Legal Reserve					
			Asset Revaluation	Available-for-sale	Translation	reserves						
		(Note 16)	(Note 8.2)	(Note 44)								
Year ended 31 December 2015												
Balance at 1 January 2015	27	23,932,602	18,103,110	9,777,987	5,813,751	231,367	15,823,105	3,050,000	196,150,422	257,059,239	23,626,615	280,685,854
Dividend paid		-	-	-	-	-	-	-	(9,573,041)	(9,573,041)	(678,433)	(10,251,474)
Net profit		-	-	-	-	-	-	-	39,473,635	39,473,635	4,480,929	43,954,564
Other comprehensive income		-	-	-	(579,874)	(286,079)	(865,953)	-	(296,375)	(1,162,328)	(1,015,880)	(2,178,208)
Total comprehensive income		-	-	-	(579,874)	(286,079)	(865,953)	-	39,177,260	38,311,307	3,465,049	41,776,356
Transferred to retained earnings		-	-	(113,997)	-	-	(113,997)	-	113,997	-	-	-
Others		-	-	-	-	-	-	-	2,213	2,213	-	2,213
Balance at 31 December 2015		23,932,602	18,103,110	9,663,990	5,233,877	(54,712)	14,843,155	3,050,000	225,870,851	285,799,718	26,413,231	312,212,949
Year ended 31 December 2016												
Balance at 1 January 2016	27	23,932,602	18,103,110	9,663,990	5,233,877	(54,712)	14,843,155	3,050,000	225,870,851	285,799,718	26,413,231	312,212,949
Dividend paid		-	-	-	-	-	-	-	(9,573,040)	(9,573,040)	(739,753)	(10,312,793)
Net profit		-	-	-	-	-	-	-	40,174,100	40,174,100	5,165,637	45,339,737
Other comprehensive income		-	-	3,728,064	1,532,222	(161,513)	5,098,773	-	264,715	5,363,488	1,332,736	6,696,224
Total comprehensive income		-	-	3,728,064	1,532,222	(161,513)	5,098,773	-	40,438,815	45,537,588	6,498,373	52,035,961
Transferred to retained earnings		-	-	(155,572)	-	-	(155,572)	-	155,572	-	-	-
Others		-	-	-	-	-	-	-	(18,154)	(18,154)	(6,370)	(24,524)
Balance at 31 December 2016		23,932,602	18,103,110	13,236,482	6,766,099	(216,225)	19,786,356	3,050,000	256,874,044	321,746,112	32,165,481	353,911,593

KASIKORNBANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
STATEMENTS OF CHANGES IN EQUITY

		Thousand Baht								
		The Bank								
Note		Equity holders of the Bank								
		Issued and Paid-up Share Capital	Premium on Share Capital	Other reserves				Retained Earnings		Total
				Appraisal	Revaluation	Foreign	Total	Appropriated	Unappropriated	
				Surplus on	Surplus on	Currency	other	Legal Reserve		
				Asset Revaluation	Available-for-sale Investments	Translation	reserves			
				(Note 16)	(Note 8.2)	(Note 44)				
Year ended 31 December 2015										
	Balance at 1 January 2015	23,932,602	18,103,110	9,193,899	3,712,528	228,908	13,135,335	3,050,000	181,221,507	239,442,554
	Dividend paid	-	-	-	-	-	-	-	(9,573,041)	(9,573,041)
	Net profit	-	-	-	-	-	-	-	34,400,657	34,400,657
	Other comprehensive income	-	-	-	161,743	(259,472)	(97,729)	-	(218,380)	(316,109)
	Total comprehensive income	-	-	-	161,743	(259,472)	(97,729)	-	34,182,277	34,084,548
	Transferred to retained earnings	-	-	(113,056)	-	-	(113,056)	-	113,056	-
	Balance at 31 December 2015	23,932,602	18,103,110	9,080,843	3,874,271	(30,564)	12,924,550	3,050,000	205,943,799	263,954,061
Year ended 31 December 2016										
	Balance at 1 January 2016	23,932,602	18,103,110	9,080,843	3,874,271	(30,564)	12,924,550	3,050,000	205,943,799	263,954,061
	Dividend paid	-	-	-	-	-	-	-	(9,573,040)	(9,573,040)
	Net profit	-	-	-	-	-	-	-	35,514,346	35,514,346
	Other comprehensive income	-	-	3,728,064	620,011	(165,578)	4,182,497	-	265,461	4,447,958
	Total comprehensive income	-	-	3,728,064	620,011	(165,578)	4,182,497	-	35,779,807	39,962,304
	Transferred to retained earnings	-	-	(154,631)	-	-	(154,631)	-	154,631	-
	Others	-	-	-	-	-	-	-	5,688	5,688
	Balance at 31 December 2016	23,932,602	18,103,110	12,654,276	4,494,282	(196,142)	16,952,416	3,050,000	232,310,885	294,349,013



(Mr. Banthoon Lamsam)  
Chairman of the Board and Chief Executive Officer



(Mr. Predee Daochai)  
President

## KASIKORNBANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

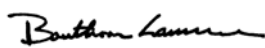
## STATEMENTS OF CASH FLOWS

		Thousand Baht			
		Consolidated		The Bank	
		For the year ended 31 December		For the year ended 31 December	
Note		2016	2015	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES					
	Operating profit before income tax expense	55,795,689	54,481,687	42,972,476	42,138,642
	Add (Less) Adjustments to reconcile operating profit before income tax expense to net cash from operating activities				
	Depreciation and amortisation	7,263,908	6,732,328	6,549,209	6,092,677
	Bad debt and doubtful accounts	32,323,027	24,827,714	31,339,347	24,158,650
	Loss on debt restructuring	2,276,963	2,005,975	2,276,963	2,005,975
	Interest income from amortisation of revaluation allowance for debt restructuring	(1,225,469)	(599,353)	(1,225,456)	(599,348)
	Loss (Gain) on foreign exchange translation of long-term borrowings	5,220	(11,793)	5,220	(11,793)
	(Gain) Loss on revaluation of trading investments	(32,497)	19,535	18,609	(4,729)
	(Reversal) Loss on impairment of investments	(59,483)	86,189	(171,719)	(561)
	Gain on disposal of investments securities	(1,587,273)	(815,304)	(819,868)	(358,114)
	Gain on liquidation of subsidiaries	-	-	(28,703)	-
	Gain on disposal of investments in associated companies	(366)	(277)	-	-
	Loss on impairment of properties foreclosed	292,080	626,279	362,905	629,812
	Loss on impairment of premises and equipment	332,496	-	332,496	-
	Loss on impairment on application software	-	2,314,508	-	2,314,508
	Provision for other assets	356,007	1,275,512	356,007	1,275,512
	Gain on disposal of premises and equipment	(1,700)	(13,347)	(1,805)	(5,608)
	Loss on write off of premises and equipment	104,834	69,659	96,332	62,807
	Loss on write off of other assets	300,135	82,418	300,135	82,418
	Reversal of loss on revaluation of premises	(109,729)	-	(109,729)	-
	Share of profit from investments using equity method	(116,696)	(95,841)	-	-
		95,917,146	90,985,889	82,252,419	77,780,848
	Interest income - net	(89,677,788)	(85,012,431)	(74,371,261)	(71,879,604)
	Dividend income	(1,609,208)	(1,345,526)	(3,671,519)	(2,543,939)
	Proceeds from interest	113,155,441	114,059,219	98,175,858	100,517,639
	Interest paid	(26,580,779)	(29,448,808)	(26,525,561)	(29,353,757)
	Proceeds from dividends	1,644,458	1,370,546	3,691,713	2,524,258
	Income tax paid	(10,512,977)	(13,172,444)	(7,368,507)	(10,154,635)
	Profit from operating before changes in operating assets and liabilities	82,336,293	77,436,445	72,183,142	66,890,810
(Increase) Decrease in operating assets					
	Interbank and money market items (assets)	(42,644,690)	(166,887,483)	(41,806,638)	(166,970,168)
	Investments held for trading	(1,715,841)	10,234,910	(195,182)	9,988,900
	Loans to customers	(103,963,050)	(101,387,845)	(99,949,606)	(95,317,906)
	Properties foreclosed	2,906,064	2,868,779	2,489,455	2,408,299
	Other assets	1,581,142	(16,593,387)	5,020,768	(16,172,922)

## KASIKORNBANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

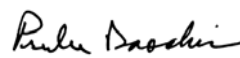
## STATEMENTS OF CASH FLOWS

		Thousand Baht				
		Consolidated		The Bank		
		For the year ended 31 December		For the year ended 31 December		
Note		2016	2015	2016	2015	
	Increase (Decrease) in operating liabilities					
	Deposits	89,853,228	75,056,203	90,241,165	75,933,652	
	Interbank and money market items (liabilities)	89,574,361	(6,672,877)	88,671,162	(5,324,672)	
	Liabilities payable on demand	(3,699,193)	6,201,882	(3,698,492)	6,201,181	
	Financial liabilities designated at fair value through profit or loss	(38,890)	38,890	(38,890)	38,890	
	Short-term debts issued and borrowings	(4,350,493)	(4,770,506)	(4,322,516)	(4,823,334)	
	Other accrued expenses	483,038	(278,542)	81,554	(660,761)	
	Provisions	1,236,984	1,415,376	888,003	1,332,224	
	Other liabilities	59,860,965	60,253,754	941,328	11,316,144	
	Net cash provided by (used in) operating activities	171,419,918	(63,084,401)	110,505,253	(115,159,663)	
	CASH FLOWS FROM INVESTING ACTIVITIES					
	Proceeds from disposal of available-for-sale investments	303,021,210	361,462,052	283,704,296	353,515,282	
	Proceeds from redemption of held-to-maturity debt instruments	40,545,072	59,758,824	36,218,606	57,267,062	
	Proceeds from disposal of general investments	987,815	1,150,716	984,267	1,139,850	
	Proceeds from capital decrease in subsidiary	-	-	190,000	200,000	
	Proceeds from liquidation of subsidiaries	-	-	4,530,660	-	
	Proceeds from disposal of investments in associated companies	1,320	1,457	-	-	
	Purchase of available-for-sale investments	(418,835,661)	(233,752,869)	(396,240,462)	(216,566,723)	
	Purchase of held-to-maturity debt instruments	(90,385,599)	(107,841,311)	(29,869,676)	(64,108,150)	
	Purchase of general investments	(188,816)	(1,077,351)	(1,000)	(1,077,351)	
	Purchase of investments in subsidiaries	-	-	(5,498,272)	(780,948)	
	Purchase of investments in associated companies	(51,575)	(139,478)	-	(23,132)	
	Proceeds from disposal of premises and equipment	11,547	18,755	6,041	8,266	
	Purchase of premises and equipment	(4,010,169)	(4,407,975)	(3,197,809)	(3,495,834)	
	Purchase of leasehold	(132,501)	(316,882)	(109,543)	(271,725)	
	Purchase of intangible assets	(2,935,290)	(3,083,424)	(2,537,257)	(2,649,984)	
	Net cash (used in) provided by investing activities	(171,972,647)	71,772,514	(111,820,149)	123,156,613	
	CASH FLOWS FROM FINANCING ACTIVITIES					
	Proceeds from long-term debts issued and borrowings	22	21,578,690	7,282,361	21,578,690	7,282,360
	Repayment of long-term debts issued and borrowings		(6,353,019)	(7,500,000)	(6,353,019)	(7,500,000)
	Dividend paid to shareholders	27	(9,573,040)	(9,573,041)	(9,573,040)	(9,573,041)
	Dividend paid to non-controlling interests		(739,753)	(678,433)	-	-
	Net cash provided by (used in) financing activities		4,912,878	(10,469,113)	5,652,631	(9,790,681)
	Effect of exchange rate changes on balances held in foreign currencies		2,419	1,580	492	5
	Net increase (decrease) in cash		4,362,568	(1,779,420)	4,338,227	(1,793,726)
	Cash at the beginning of the year	5	56,226,230	58,005,650	56,203,527	57,997,253
	Cash at the end of the year	5	60,588,798	56,226,230	60,541,754	56,203,527



(Mr. Banthoon Lamsam)

Chairman of the Board and Chief Executive Officer



(Mr. Predee Daochai)

President

KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
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These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorised for issue by the Board of Directors on 23 February 2017.

**1 GENERAL INFORMATION**

KASIKORNBANK PUBLIC COMPANY LIMITED, ("the Bank"), is a registered public company located in the Kingdom of Thailand and listed on the Stock Exchange of Thailand on 9 February 1976. The registered office of the Bank is at 1 Soi Rat Burana 27/1, Rat Burana Road, Rat Burana Sub-District, Rat Burana District, Bangkok.

The principal activity of the Bank is commercial banking and the Bank conducts its businesses through a network of branches covering all parts of Thailand and certain major cities overseas.

Details of the Company's subsidiaries and associated companies as at 31 December 2016 and 2015 are given in note 9.

**2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

**a) Statement of compliance**

The financial statements are prepared in accordance with Thai Financial Reporting Standards ("TFRS"); guidelines promulgated by the Federation of Accounting Professions (FAP), applicable rules and regulations of the Thai Securities and Exchange Commission ("SEC") and Stock Exchange of Thailand ("SET") and with the Bank of Thailand ("BoT") notification number SOR NOR SOR 21/2558, directive dated 4 December 2015, regarding the "Preparation and announcement of the financial statements of commercial banks and holding companies which are a parent company of a group of companies offering financial services", any other supplementary BoT notifications.

The FAP has issued new and revised TFRS that are effective for annual accounting periods beginning on or after 1 January 2016. The adoption of these new and revised TFRS did not have a material impact on the accounting policies, methods of computation, financial position or performance of the Bank and its subsidiaries.

In addition to the above new and revised TFRS, the FAP has issued a number of other revised TFRS, interpretation and a new FAP announcement which is effective beginning on or after 1 January 2017 and have not been adopted in the preparation of these financial statements. These revised TFRS and new FAP announcement that are relevant to the Bank and its subsidiaries' operations are disclosed in note 34.

KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
NOTES TO THE FINANCIAL STATEMENTS  
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**b) Basis of measurement**

The financial statements have been prepared on the historical cost basis except the following material items in the statements of financial position:

- derivatives held for trading are measured at fair value;
- financial instruments at fair value through profit or loss are measured at fair value;
- available-for-sale financial assets are measured at fair value;
- premises are measured at revalued amounts.

**c) Functional and presentation currencies**

The financial statements are prepared and presented in Thai Baht, which is the Bank's functional currency. All financial information is presented in Thai Baht and has been rounded in the financial statements to the nearest thousand and in the notes to the financial statements to the nearest million unless otherwise stated.

**d) Use of estimates and judgements**

The preparation of financial statements in conformity with TFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future period affected.

Information about significant areas of estimation uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 3 "significant accounting policies" and in the following notes:

Note	7	Derivatives
	8	Investments - net
	12	Allowance for doubtful accounts
	13	Revaluation allowance for debt restructuring
	24	Insurance contract liabilities
	46	Fair value of assets and liabilities

KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
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3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

The consolidated financial statements relate to the Bank and its subsidiaries and the Bank's interests in associates.

*Business combinations*

The Bank and its subsidiaries apply the acquisition method for all business combinations other than those with entities under common control.

Business combinations are accounted for under the acquisition method. The cost of an acquisition is measured at the fair value of the assets transferred, equity securities issued and identifiable liabilities assumed at the date of exchange.

Control is the power to govern the financial and operating policies of an entity that expose it to variable returns. In assessing control, the Bank and its subsidiaries takes into consideration potential voting rights that currently are exercisable.

*Goodwill in a business combination*

Goodwill in a business combination represents the excess of the cost of acquisition over the fair value of the Bank's share of the identifiable net assets acquired. Negative goodwill in a business combination represents the excess of the fair value of the Bank's share of the identifiable net assets acquired over the cost of acquisition.

- Goodwill and negative goodwill, carried in the financial statements that arose from a business combination for which the agreement date was before 1 January 2008, is stated at cost less accumulated amortisation as of 31 December 2007 and accumulated allowance for impairment.
- Goodwill arising from a business combination for which the agreement date begins on or after 1 January 2008 to 31 December 2009, are stated at cost less accumulated allowance for impairment. Negative goodwill is recognised as income in profit or loss in the year of the business combination.

*Subsidiaries*

Subsidiaries are entities controlled by the Bank and its subsidiaries. Control exists when the Bank and its subsidiaries is exposed to, or has rights to, variable returns from their involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Bank.

KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
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*Non-controlling interest (NCI)*

At the acquisition date, the Bank and its subsidiaries measures any non-controlling interest at its proportionate interest in the identifiable net asset of the acquiree.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

The Bank holds less than half of the voting rights in Muang Thai Life Assurance PCL, a consolidated subsidiary. The company is consolidated on the basis of formal agreements in place which provide the Bank with the power to govern the financial and operating policies of the company that expose it to variable returns.

*Associated companies*

Associated companies are those entities over which the Bank and its subsidiaries have significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Bank and its subsidiaries hold between 20% and 50% of the voting power of another entity.

Interest in associated companies are accounted for in the consolidated financial statements using the equity method and are recognised initially at cost. The cost of the investment includes directly attributable transaction costs.

The consolidated financial statements include the Bank and its subsidiaries' share of profit or loss and other comprehensive income from the date that significant influence commences until the date that significant influence ceases. When the Bank and its subsidiaries' share of losses exceeds its interest in an associate, the Bank and its subsidiaries' carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Bank and its subsidiaries has incurred legal or constructive obligations or made payments on behalf of the associated company.

*Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Bank and its subsidiaries' interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

The consolidated and the Bank only financial statements include the accounts of all branches; domestic and foreign. Interbranch transactions have been eliminated.

**3.2 Cash**

Cash represents cash in hand and cash on collection.

The Bank recognises and derecognises such items in these financial statements on the Settlement Date.

KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
NOTES TO THE FINANCIAL STATEMENTS  
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**3.3 Investments**

*Investments in debt and equity securities*

Debt securities and marketable equity securities held for trading are classified as trading investments and are stated at fair value, with any resultant gain or loss being recognised in profit or loss.

Debt securities for which the Bank and its subsidiaries have the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are stated at amortised cost, less allowance for impairment. The difference between the acquisition cost and redemption value of such debt securities is amortised using the effective interest rate method over the period to maturity.

Debt securities and marketable equity securities, other than those securities held for trading or intended to be held to maturity, are classified as available-for-sale investments. Available-for-sale investments are stated at fair value, and changes in fair value, are recognised directly in equity and other comprehensive income. If these investments are interest-bearing, their interests are calculated using the effective interest rate method and recognised in profit or loss.

Equity securities which are not marketable and classified as general investments are stated at cost less allowance for impairment.

Investments in marketable equity securities and listed unit trusts classified as trading investments and available-for-sale investments are stated at fair value based on the last bid prices of the Stock Exchange of Thailand (SET) or the closing price of the Stock Exchange they are listed as of the reporting date.

Investments in unit trusts considered to be inactive are stated at fair value based on the net asset value as of the reporting date.

Investments in government and state enterprises debt securities guaranteed by the government, classified as trading investments and available-for-sale investments, are stated at fair value based on the Thai Bond Market Association Government Bond Yield Curve as of the reporting date. State enterprises debt securities not guaranteed by the government and private debt instruments are stated at fair value based on bid prices from the Thai Bond Market Association as of the reporting date. If not available, the Government Bond Yield for the same period is used, adjusted by an appropriate risk premium.

Investments in foreign bonds classified as available-for-sale investments are stated at fair value based on bid prices from Bloomberg. If not available, indicative prices from custodians are used.

KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
NOTES TO THE FINANCIAL STATEMENTS  
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*Investments in receivables*

Investments in receivables are initially recognised at fair value of the consideration transferred in exchange. Subsequent to initial recognition, investments in receivables are stated at amortised cost after deducting the allowance for impairment.

- Purchases or transfers of loans before 1 January 2013, were recognised as investments in receivables. When debt restructuring was required, the balance is recorded as a loan at fair value, The difference between book value and fair value was recognised as gain or loss on transfer of financial assets in profit or loss.
- Purchases or transfers of loans since 1 January 2013, are recognised as investments in receivables for items that are intended to be sold in the future or are not intended to be held to collect the contractual cash flows, in which case the items are recognised as loans.

*Investments recognition*

The Bank recognises and derecognises such items in these financial statements using the Settlement Date method.

*Disposal of investments*

Upon disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated gain or loss on revaluation that was reported in equity is recognised in profit or loss.

Upon disposal of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to the carrying value of the total holding of the investment.

**3.4 Investments in subsidiaries and associates**

Investments in subsidiaries and associates in the separate financial statements of the Bank are accounted for using cost method less allowance for impairment. Investments in associates in the consolidated financial statements are accounted for using equity method, net of allowance for impairment.

**3.5 Loans**

Except in the case of loans effected through overdraft agreements, loans are represented at their principal amounts. Unearned discounts received in advance are presented as a reduction in loans.

The Bank recognises and derecognises such items in these financial statements using the Settlement Date method.

KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
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**3.6 Allowance for doubtful accounts**

The Bank and its subsidiaries which are credit institutions or asset management companies make allowances for doubtful accounts that are determined through methods based on the Bank of Thailand's regulations and the Bank's estimated loan loss. The allowance for non-performing loans has been specifically determined by the nature of loans and the relevant factors such as payment ability, collateral, historical loss and estimated loss, etc. The allowance for performing loans has been assessed based upon relevant factors such as historical loss, credit risk, economic conditions and management experience, etc. For corporate loans, the allowance is determined on a case by case basis while the allowance for retail loans is determined on a portfolio basis for portfolios with similar risk characteristics.

Based on BoT's regulations, the Bank and its subsidiaries which are credit institutions or an asset management company have classified their loan portfolios into six categories, primarily based on aging. For loans classified as pass and special-mention, the calculation of allowances for doubtful accounts is based on the regulatory minimum percentage requirement, taking into consideration the collateral value, where the collateral type and date of the latest appraisal are qualifying factors. For loans classified as sub-standard, doubtful and doubtful of loss, the allowances on these accounts will be set at 100 percent for the difference between the outstanding book value of the debt and the present value of future cash flows expected to be received or the expected proceeds from the disposal of collateral in accordance with the BoT's regulations.

Allowance for doubtful accounts established during the period and write-offs are recognised as expense in profit or loss. Bad debt recovery is recognised as income and is presented net of bad debt and doubtful accounts expense in profit or loss.

The life insurance subsidiary has allowance for doubtful accounts based on the estimated loss that may be incurred in collection of the premium due, determined by collection experience, review of premium due aging and value of collateral held against each receivable.



KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
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**3.7 Troubled debt restructuring**

The Bank and the asset management subsidiary record foreclosed assets acquired from troubled debt restructuring at fair value net of expected selling expense but limited to the loan amount up to the legal claim for the debt including interest receivable. Where troubled debt restructuring involves change of repayment conditions, the present value of the expected future cash collections is calculated by using discount rates equivalent to the market rates of interest at the time of restructuring. The difference between the present value of the future cash flows expected to be received that is less than the outstanding balances of investment in loans is recorded in the revaluation allowance for debt restructuring. This revaluation allowance for debt restructuring is amortised to profit or loss according to the amounts received over the remaining period of the debt-restructuring contracts.

Losses on debt restructuring from various forms i.e. reduction of principal and interest, transfer of assets, conversion of debt to equity and change of repayment condition is recognised as expense in profit or loss.

**3.8 Properties foreclosed**

Properties foreclosed are presented at the lower of cost or market value. The market value is estimated by using the latest appraisal value after deduction of estimated disposal expenses and holding cost.

The Bank and its subsidiaries regularly assess impairment of assets on a yearly basis.

Losses on impairment are charged to profit or loss. Gains or losses on disposal of properties foreclosed are recorded as other operating income or other expenses upon disposal.

**3.9 Premises and equipment**

*Recognition and measurement*

*Owned assets*

Land and buildings are stated at their revalued amounts. Revalued amount is fair value determined on the basis of the property's existing use at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Equipment is stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of premises and equipment have different useful lives, they are accounted for as separate items of premises and equipment.

KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
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Gains and losses on disposal of an item of premises and equipment are determined by comparing the proceeds from disposal with the carrying amount of premises and equipment, and are recognised net in other income or other expense in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings and are not taken into account in calculating the gain or loss on disposal.

*Revalued assets*

Revaluation of land and buildings is performed by independent professional valuers according to the Bank of Thailand's criteria with sufficient regularity to ensure that the carrying amount of these assets do not differ materially from that which would be determined using fair values at the reporting date.

Any increase in value, on revaluation, is recognised in other comprehensive income as "appraisal surplus on asset revaluation" unless it offsets a previous decrease in value recognised loss in profit or loss in respect of the same asset.

A decrease in value is recognised in profit or loss to the extent that it exceeds an increase previously recognised in other comprehensive income in respect of the same asset.

The appraisal surplus cost on asset revaluation is utilised by reference to the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost and transferred directly to retained earnings.

*Leased assets*

Leases in terms of which the Bank and its subsidiaries substantially assumes all the risk and rewards of ownership are classified as finance leases. Equipment acquired by way of finance leases is capitalised at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. Lease payments are apportioned between interest expenses and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Interest expenses are charged directly to profit or loss.

*Subsequent expenditure*

Subsequent expenditure relating to an item of premises and equipment is added to the carrying amount of the asset when it is probable that the Bank and its subsidiaries will receive future economic benefits embodied within the asset and the cost of the item can be measured reliably. Other subsequent expenditures are recognised in expenses as incurred.

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*Depreciation*

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each item of premises and equipment.

Depreciation on buildings acquired before July 1996 is computed using the declining balance method. Depreciation on buildings acquired after July 1996 and on equipment is computed using the straight-line method.

The estimated useful lives are as follows:

Buildings	15-50 years
Buildings on rented land	over rental contract
Equipment, furniture, fixtures, office equipment and vehicle	4-20 years

Depreciation methods, useful lives and residual values are reviewed each year and adjusted if appropriate.

### 3.10 Goodwill and intangible assets

*Goodwill*

Goodwill that arises upon the acquisition of subsidiaries is included in goodwill and intangible assets. The measurement of goodwill at initial recognition is described in note 3.1. Subsequent to initial recognition, goodwill is measured at cost less impairment losses. Impairment assessment of goodwill is described in note 3.14.

*Other intangible assets*

Other intangible assets that have finite useful lives are presented at cost less accumulated amortisation and accumulated impairment losses.

*Subsequent expenditure*

Subsequent expenditure is capitalised as intangible assets only when it is highly probable that the Bank and its subsidiaries will receive future economic benefits related to the item and cost of the item can be measured reliably. Otherwise, it will be recognised as expense when incurred.

*Amortisation*

Amortisation is charged to profit or loss on a straight-line basis which closely reflects the pattern and period of time of future economic benefits expected to flow to the bank, excluding goodwill. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Software licenses	5-15 years
Advisory fee licenses	10 years

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Intangible assets with an indefinite useful life are systematically tested for impairment at each reporting date.

Amortisation methods, useful lives and residual values are reviewed each year and adjusted if appropriate.

**3.11 Deferred tax assets and Deferred tax liabilities**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they are reversed, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Bank and its subsidiaries expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The Bank and its subsidiaries take into account the impact of uncertain tax positions in determining the amount of income tax. The Bank and its subsidiaries believe that its accruals for tax liabilities are adequate for all tax to be paid in the future based on its assessment of many factors, including interpretations of tax law, prior experiences and series of judgements about future events; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that they are no longer probable that the related tax benefit will be realised.

**3.12 Leasehold**

Leasehold is presented at cost net accumulated amortisation. The amortisation is calculated using the straight-line method over the lease periods and is recognised as expense in profit or loss.

**3.13 Investment Property**

Investment property which consists of buildings and areas for rent of the Bank and its subsidiaries is measured at cost on initial recognition and subsequently at fair value and is presented as part of other assets. Changes in fair value are recognised in profit or loss.

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**3.14 Impairment**

The Bank and its subsidiaries' assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For goodwill and intangible assets that have indefinite useful lives or are not yet available for use, the recoverable amount is estimated each year at the same time.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in profit or loss unless it reverses a previous revaluation credited to equity, in which case it is charged to equity.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in other comprehensive income and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognised directly in other comprehensive income is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the carrying amount and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

*Calculation of recoverable amount*

The recoverable amount of held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of the estimated future cash flows discounted at the original effective interest rate. Receivables with a short duration are not discounted.

The recoverable amount of available-for-sale financial assets is calculated by reference to the fair value.

The recoverable amount of a non-financial asset is the greater of the asset's value in use and fair value less costs to sell. In assessing value in use, calculated by the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

*Reversals of impairment*

An impairment loss in respect of a financial asset is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised in profit or loss. For financial assets carried at amortised cost, the reversal is recognised in profit or loss. For available-for-sale financial assets, the reversal is recognised in other comprehensive income.

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An impairment loss in respect of goodwill is not reversed. Impairment losses recognised in prior periods in respect of non-financial assets are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### 3.15 Interest-bearing liabilities

Interest-bearing liabilities are recognised initially at fair value less attributable transaction charges. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.

The Bank recognised and eliminated such items on this financial statements by Settlement Date method.

### 3.16 Provisions

Provision is recognised when the Bank and its subsidiaries have a present legal or a constructive obligation as a result of a past event that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. When the time value of money has significant impact to provisions, they are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions for commitments not recognised in the statements of financial position relate to credit risk transactions ie., Avals on bills, Acceptances, Letters of Indemnity - Borrowing, Other Guarantees and Letters of Credit, etc. Provision is recognised when the transactions related to loans that are classified as sub-standard, and below.

The Bank and its subsidiaries review provisions on a regular basis, and recognise changes in the provisions as increase or decrease in other operating expenses.

### 3.17 Employee benefits

#### *Short-term employee benefits*

Recognised amount expected to be paid as expense in profit or loss as the related service is provided.

#### *Post-employment benefits : Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the Bank and its subsidiaries pay fixed contributions into the provident fund, a separate entity, and will have no legal or constructive obligation to pay further amounts. Contributions paid by the Bank and its subsidiaries are recognised as expense in profit or loss in the periods during which services are rendered by employees.

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*Post-employment benefits : Defined benefit plans*

Under the labor laws and the Bank and its subsidiaries' employment policy, all employees are entitled to severance pay upon retirement.

The Bank and its subsidiaries determine the net obligation in respect of defined retirement by using historical data in estimating the amount of future benefits that employees have earned in return for their services in the current and prior periods discounting to present value by using market yield of government bonds with a maturity consistent with the estimated term of the post-employment benefit obligations. The retirement benefit is calculated by actuary using Projected Unit Credit Method and presented as part of provision, and the Bank and its subsidiaries recognised all current service cost and interest cost related to provision for retirement benefits as personnel expenses in profit or loss.

All actuarial gains and losses are based on updated assumptions in other comprehensive income in the period in which they arise.

When the benefits of plan are changed or when a plan is curtailed, the resulting change in benefit that related to the past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Bank and its subsidiaries recognise gain and loss on the settlement of a defined benefit plan when the settlement occurs.

**3.18 Insurance contract liabilities**

*(a) Classification of insurance and investment contracts*

The subsidiary issues contracts that transfer insurance risk or both insurance risk and financial risk.

Insurance contracts are those contracts under which the subsidiary accepts significant insurance risk from the insured by agreeing to compensate the insured or other beneficiary if a specified uncertain future event adversely affects the insured. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

The subsidiary defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least significant level more than the benefits payable if the insured event did not occur.

Investment contracts are contracts that transfer financial risk with no significant insurance risk. The subsidiary issues only insurance contracts.

The subsidiary does not unbundle any insurance contracts as its accounting policy recognises all premium and underwriting expenses through the profit or loss.

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*(b) Recognition and measurement of insurance contract liabilities*

*Long-term technical reserves*

Long-term technical reserves are liabilities for contractual benefits and claims that are expected to be incurred in the future. They are recorded when the premiums are recognised and are released when benefit and claims are incurred. Such reserves are measured using assumptions considered to be appropriate for the policies in force and calculated by internal actuary of the subsidiary using an actuarial method of "Net Level Premium Valuation" based on assumptions for mortality, morbidity and discounted interest rate. The change in long-term technical reserves is recognised under underwriting expenses.

*Loss reserves and outstanding claims*

Provision for loss reserves and outstanding claims is made for the estimated cost of all claims notified but not settled at the reporting date. Provision is also made for the cost of claims incurred, but not reported, based on the subsidiary's experience and historical data. Differences between the provision for outstanding claims and subsequent revisions and settlements are included in profit or loss in later years.

*Premium reserve*

Premium reserve is unearned premium reserve calculated based on a pro-rata basis of written premiums for short-term insurance contracts over the remaining period of coverage.

*(c) Liability adequacy test*

The liability of the subsidiary is tested for adequacy by comparing the aggregated best current estimate of future contractual cash flows using current assumptions with the aggregated carrying amount of gross insurance contract provisions.

An additional provision for liability inadequacy is made where the reserves calculated by other actuarial method of "Gross Premium Valuation" exceeds the liabilities calculated by Net Level Premium Valuation method. However, the liability adequacy test is performed based on aggregation of total insurance contract liabilities including loss reserves and outstanding claims and premium reserve for policies in force at the reporting date.

The assumptions used in the Gross Premium Valuation are in accordance with the Notification of the Office of Insurance Commission regarding Assessment of Assets and Liabilities of Life Insurance B.E. 2554 except for discounted interest rate which the subsidiary uses the adjusted current risk-free interest rate for purpose of liability adequacy test in accordance with industry practice.



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**3.19 Accounting for customer loyalty programmes**

The Bank and its subsidiaries have customer loyalty programmes whereby customers are awarded credits (Points) entitling customers to the rights to purchase products from the Bank and its subsidiaries at a discount or to get free gifts in the future. The fair value of consideration received or receivable in respect of the initial service is allocated between points and other components of service. Amount allocated to points is estimated by referring to fair value of the rights to purchase products at a discount or of the free gifts and is recorded as deferred revenue.

Revenue is recognised under fee and service income when points are redeemed.

**3.20 Recognition of income**

Interest and discount income on loans are recognised on an accrual basis, except when interest payments are in arrears for more than three months when, regardless of collateral, the cash basis is adopted.

In compliance with the BoT's regulation, the Bank reverses accrued interest receivables on loans for which repayments are more than three months in arrears.

Interest income from investments is recognised on an accrual basis by using the effective interest rate method. Dividend income from investment is recognised on an accrual basis at the date which the Bank earns the rights to receive the dividend.

The asset management subsidiary recognises interest income on investments in receivables and loans on a cash basis.

Fee and service income for the performance of service are recognised as the related service is rendered.

Income from factoring business is recognised on an accrual basis.

The lease income of subsidiaries is recognised as follows:

- Income under finance lease agreements is recognised on the basis of installment payments due by using effective interest rate method, calculated from the balance of net investment in each installment. When installment payments are in arrears for more than three months, the cash basis is adopted.
- Income under operating lease agreements is recognised on the basis of installment payments due. When installment payments are in arrears for more than three months, the cash basis is adopted.

**3.21 Recognition of net premium earned**

*Short-term insurance contracts*

Premium written is recognised on the inception date and presented gross of commissions and brokerage expenses.

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Premium earned comprises of premium written and change in unearned premium reserves and is recognised as revenue proportionally over the period of coverage.

*Long-term insurance contracts*

First year premium written is recognised as revenue when premium is received and insurance policy is approved. Renewal premium income is recognised as revenue when premium is due and is estimated taking into account the historical lapse experience of the subsidiary. First year premium written and renewal premium income are presented gross of commissions and brokerage expenses.

Premium received in advance is not recognised as revenue until the due date.

**3.22 Recognition of interest expense**

Interest expense is recognised on an accrual basis.

**3.23 Underwriting expenses**

*Commissions and brokerage expenses*

Commissions and brokerage expenses are recognised as expenses when incurred.

*Benefit payments and insurance claims*

Benefit payments and insurance claims consist of benefits, claims and loss adjustment expenses during the years and changes in provision for short-term insurance claims. They are recognised as expenses when incurred or approved.

**3.24 Income tax**

Income tax expenses for the period comprise of current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

**3.25 Earnings per share**

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Bank on ordinary shareholders of the Bank by the weighted average number of ordinary shares in issued during the period.

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**3.26 Derivatives**

Trading Derivatives: Trading derivatives are carried at fair value which is determined based upon liquid (observable) market prices, reference to exchange traded prices, broker/dealer quotations, prices of other similar transactions or prices derived by using a valuation technique incorporating observable market data which is adjusted with counterparty credit risk and other risks. Realised and unrealised gains or losses are recognised in profit or loss as part of gain on trading and foreign exchange transactions against assets or liabilities in the statements of financial position so that the derivative assets/liabilities represent their fair value at the reporting date.

Hedging Derivatives: The Bank and its subsidiaries manage its banking exposures to market rate movements through the use of derivatives such as interest rate swaps, interest rate futures and forward exchange contracts. Gains or losses resulting from the changes in fair values of contracts are recognised in accordance with the standard accounting treatment for income or expenses on hedged items as follows:

1. Where hedged items are measured at fair value, hedging instruments are measured at fair value consistently.
2. Where hedged items are measured on an accrual basis, hedging instruments are measured on an accrual basis consistently.

The Bank and its subsidiaries account for derivative transactions using Trade Date method.

**3.27 Hybrid Instruments**

**Hybrid Instruments:** include a non-derivative host contract and an embedded derivative. The host contract shall be accounted for under the classification of the host contract. The embedded derivative shall be separated from the host contract and accounted for as a derivative which is carried at fair value, if and only if:

1. The economic characteristics and risks of the host contract and the embedded derivative are not closely related;
2. A separate instruments with the same terms as the embedded derivative would meet the definition of a stand-alone derivative; and
3. The hybrid instrument is not recognised at fair value through profit or loss.

If an embedded derivative is not separated, the hybrid instrument shall be accounted for under the classification of the host contract.

Changes in the fair value of separated embedded derivative are recognised in profit or loss.

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**Structured Notes:** are hybrid instruments, which consist of borrowing (Host Contract) transaction and an embedded derivative. The Bank's management approach with regards to the accounting and assessment of fair value of borrowing transactions with embedded derivative (Structured Note) is consistent with those of International Accounting Standard No. 39 (IAS 39). The Bank has an option to classify the structured note as financial liabilities designated at fair value through profit or loss when

1. It eliminates or significantly reduces an inconsistency of measurement or recognition that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on a different basis; or
2. It is a management tool for risk management and investment, in accordance with
  - Documented risk management or investment strategy; and
  - Group of financial assets or financial liabilities managed and their performance evaluated on a fair value basis.
3. It relates to financial instruments containing one or more embedded derivatives that significantly modify the cash flows resulting from those financial instruments and meets the above criteria for separation of the embedded derivative from the host contract.

Changes in the fair value of financial liabilities designated at fair value through profit or loss are recognised in profit or loss as gain or loss on financial liabilities designated at fair value through profit or loss with the corresponding entry to liabilities in the statements of financial position. The fair value designation, once made, is irrevocable.

The Bank will comply with the requirements of hybrid instrument if the Bank does not choose the option of fair value through profit or loss or the criteria for fair value through profit or loss upon designation are not met.

**Day One Profit or Loss:** Gains or losses from trading derivatives are recognised at inception in profit or loss when the fair value of those derivatives are determined based upon observable market data or supported by comparison to other observable market transactions, or based upon a valuation technique incorporating observable market data. The Bank amortises initial gains or losses on trading transactions on a straight-line basis or on an effective interest rate basis over the life of the contract when the fair value of those trading derivatives are based upon unobservable market data or when they gains or losses on hybrid instruments. The unamortised gains or losses are recognised in profit or loss when the market data becomes observable.

The Bank recognises and eliminates such items in these financial statements using the Settlement Date method.

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3.28 Assets and liabilities in foreign currencies

1. *Foreign currency transactions*

Assets and liabilities denominated in foreign currencies are translated into the currency of the primary economic environment in which the Bank, its foreign branches and its subsidiaries operate (the functional currency) at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the reference rates announced by the BoT on that date. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated into the functional currency using the exchange rate at the date of the initial transaction except for the non-monetary assets and liabilities designated as hedged item of fair value hedge in foreign exchange risk that are translated into the functional currency using the reference rate announced by the BoT.

Exchange gains or losses on translation are recognised in profit or loss or in the case of changes in fair value of available-for-sale investments denominated in a foreign currency, exchange gains or losses on transaction are directly recognised in equity and other comprehensive income.

2. *Foreign operations*

The statements of financial position of the Bank's foreign branches whose functional currency is not Thai Baht are translated into Thai Baht at the reference rates announced by the BoT on the reporting date. The statements of comprehensive income of the Bank's foreign branches are translated into Thai Baht at the reference rates announced by the BoT at the transaction date.

Exchange gains or losses on retranslation of financial statements of the Bank's foreign branches are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity.

When a derivative or monetary item (non-derivative) is designated as a hedging instrument of a net investment in a foreign operation, the effective portion of the gain or loss derived from spot revaluation is recognised directly in equity and netted with the retranslation of financial statements of the Bank's foreign branches and subsidiaries in the foreign currency translation reserve in other comprehensive income. When the investment is disposed the relevant amount in the foreign currency translation reserve is transferred to profit or loss. Previously, all such transactions were recognised in profit or loss. Income or expense relating to forward point of a hedging instrument is recognised on an accrual basis in profit or loss.

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**3.29 Trade Date – Settlement Date policy**

Trade Date policy means the Bank recognises and presents such items on financial statements on the date both counterparties decide to mutually commit on sale agreement, eliminates those items on financial statements when the sale agreement is matured or cancelled as well as recognises gain or loss from such agreement.

Settlement Date policy means that the Bank recognises or derecognises such items in financial statements on the date of asset delivery and recognises gain or loss from such agreement.

**3.30 Segment information**

Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated transactions are not included in reporting segment operating results but shown in total.

Information about geographical areas is presented according to the domestic and overseas of the Bank and its subsidiaries transaction.

**3.31 Fair value of assets and liabilities**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market at the measurement date. In the absence of a principal market, the most advantageous market would be considered if the Bank and its subsidiaries are able to access that market at the measurement date.

The Bank and its subsidiaries measure fair value of non-financial assets based on highest and best use assumption.

A transfer between the hierarchy occurs when the source or level of observability of input data in fair value measurement has changed.

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4. CAPITAL REQUIREMENTS

The ratios of capital to assets (Capital Adequacy Ratio) of KASIKORNBANK FINANCIAL CONGLOMERATE and the Bank as at 31 December 2016 and 2015 are set out below. The Bank has chosen to adopt the Standardised Approach in accordance with BoT requirements, which is in line with the requirements of Basel III.

(Million Baht)

	<u>KASIKORNBANK FINANCIAL</u> <u>CONGLOMERATE</u>	
	<u>31 December 2016</u>	<u>31 December 2015</u>
Tier 1 Capital		
Common Equity Tier 1 (CET1)		
Issued and paid-up share capital, premium on common shares	42,036	42,036
Legal reserve	3,050	3,050
Net profit after appropriation	234,071	210,493
Other comprehensive income	19,684	14,642
<u>Less</u> Capital deduction items on CET1	<u>(22,301)</u>	<u>(18,555)</u>
Total Tier 1 Capital Base	<u>276,540</u>	<u>251,666</u>
Tier 2 Capital		
Subordinated debentures	50,000	42,500
General Provision	20,128	19,166
<u>Less</u> Capital deduction items on Tier 2	<u>(2,981)</u>	<u>(1,480)</u>
Total Tier 2 Capital Base	<u>67,147</u>	<u>60,186</u>
Total Capital Base	<u>343,687</u>	<u>311,852</u>
 Total Risk-Weighted Assets	 1,824,372	 1,732,067

(Percentage)

	<u>KASIKORNBANK FINANCIAL CONGLOMERATE</u>			
	<u>BoT regulatory</u> <u>minimum requirement</u> <u>and conservation buffer*</u>	<u>31 December 2016</u>	<u>BoT regulatory</u> <u>minimum requirement</u>	<u>31 December 2015</u>
<u>Capital Adequacy Ratio</u>				
Tier 1 Capital ratio	6.625	15.16	6.00	14.53
<i>Common Equity Tier 1 ratio</i>	<i>5.125</i>	<i>15.16</i>	<i>4.50</i>	<i>14.53</i>
Tier 2 Capital ratio	-	3.68	-	3.47
Capital adequacy ratio	9.125	18.84	8.50	18.00

\* Conservation buffer requires additional Common Equity Tier 1 of 0.625% per annum from 1 January 2016 onwards until reaching 2.50% in 2019.

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(Million Baht)

The Bank

	<u>31 December 2016</u>	<u>31 December 2015</u>
Tier 1 Capital		
Common Equity Tier 1 (CET1)		
Issued and paid-up share capital, premium on common shares	42,036	42,036
Legal reserves	3,050	3,050
Net profit after appropriation	212,568	193,145
Other comprehensive income	16,998	12,892
<u>Less</u> Capital deduction items on CET1	<u>(19,070)</u>	<u>(16,416)</u>
Total Tier 1 Capital Base	<u>255,582</u>	<u>234,707</u>
Tier 2 Capital		
Subordinated debentures	50,000	42,500
General Provision	<u>19,849</u>	<u>18,919</u>
Total Tier 2 Capital Base	<u>69,849</u>	<u>61,419</u>
Total Capital Base	<u>325,431</u>	<u>296,126</u>
Total Risk-Weighted Assets	1,790,761	1,702,380

(Percentage)

The Bank

	<u>BoT regulatory</u>		<u>BoT regulatory</u>	
	<u>minimum requirement</u>		<u>minimum</u>	
<u>Capital Adequacy Ratio</u>	<u>and conservation buffer*</u>	<u>31 December 2016</u>	<u>requirement</u>	<u>31 December 2015</u>
Tier 1 Capital ratio	6.625	14.27	6.00	13.79
Common Equity Tier 1 ratio	5.125	14.27	4.50	13.79
Tier 2 Capital ratio	-	3.90	-	3.60
Capital adequacy ratio	9.125	18.17	8.50	17.39

\* Conservation buffer requires additional Common Equity Tier 1 of 0.625% per annum from 1 January 2016 onwards until reaching 2.50% in 2019.

As at 31 December 2016 and 2015, the Bank and KASIKORNBANK FINANCIAL CONGLOMERATE have no add-on arising from Single Lending Limit.



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In accordance with the BoT's directive number SOR NOR SOR 4/2556, dated 2 May 2013, titled "The Disclosure of Capital Requirements of Commercial Banks" requires the Bank to disclose the capital requirements as of 31 December 2016 through the website "<http://www.kasikornbank.com/EN/Investors/FinanInfoReports/Pages/FinancialReports.aspx>" under the investor relations section within 4 months after 31 December 2016.

In accordance with the BoT's directive number SOR NOR SOR 5/2556, dated 2 May 2013, titled "The Disclosure of Capital Requirements of Commercial Banks on Consolidated Basis", requires KASIKORNBANK FINANCIAL CONGLOMERATE to disclose the capital requirements as of 31 December 2016 through the website "<http://www.kasikornbank.com/EN/Investors/FinanInfoReports/Pages/FinancialReports.aspx>" under the investor relations section within 4 months after 31 December 2016.

## 5. SUPPLEMENTARY INFORMATION OF CASH FLOWS

Significant non-cash items for the years ended 31 December 2016 and 2015 are as follows:

	(Million Baht)			
	<u>Consolidated</u>		<u>The Bank</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revaluation surplus on available-for-sale investments*	1,532	(580)	620	162
Appraised surplus on asset revaluation*	3,728	-	3,728	-
The realised portion of the appraised surplus on asset revaluation*	(156)	(114)	(155)	(113)
Foreign currency translation*	(162)	(286)	(166)	(259)
Actuarial loss on defined benefit plans*	(264)	(345)	(265)	(218)
Foreclosed properties arising from auction and debt settlement	4,461	5,931	4,233	5,546

\* net of deferred tax

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6. INTERBANK AND MONEY MARKET ITEMS - NET (ASSETS)

Interbank and money market items - net (assets) as of 31 December 2016 and 2015 consisted of:

(Million Baht)

	<u>Consolidated</u>					
	<u>2016</u>			<u>2015</u>		
	<u>At call</u>	<u>Term</u>	<u>Total</u>	<u>At call</u>	<u>Term</u>	<u>Total</u>
1. <u>Domestic</u>						
The BoT and FIDF	16,718	238,694	255,412	23,096	186,000	209,096
Commercial banks	717	20,712	21,429	715	7,994	8,709
Specialised financial institutions	106	10,848	10,954	25	38	63
Other financial institutions	<u>1,583</u>	<u>11,300</u>	<u>12,883</u>	<u>33</u>	<u>2,000</u>	<u>2,033</u>
Total	19,124	281,554	300,678	23,869	196,032	219,901
<u>Add</u> Accrued interest receivable	-	76	76	-	60	60
<u>Less</u> Deferred revenue	-	-	-	-	(3)	(3)
Allowance for doubtful accounts	<u>(31)</u>	<u>(32)</u>	<u>(63)</u>	<u>(31)</u>	<u>(3)</u>	<u>(34)</u>
Total Domestic	<u>19,093</u>	<u>281,598</u>	<u>300,691</u>	<u>23,838</u>	<u>196,086</u>	<u>219,924</u>
2. <u>Foreign</u>						
US Dollars	2,332	31,671	34,003	21,301	40,426	61,727
Japanese Yen	161	-	161	117	-	117
Euro	90	-	90	413	2,169	2,582
Other currencies	<u>2,544</u>	<u>11,648</u>	<u>14,192</u>	<u>4,174</u>	<u>20,333</u>	<u>24,507</u>
Total	5,127	43,319	48,446	26,005	62,928	88,933
<u>Add</u> Accrued interest receivable	1	148	149	1	429	430
<u>Less</u> Deferred revenue	-	(2)	(2)	-	(52)	(52)
Allowance for doubtful accounts	<u>-</u>	<u>(78)</u>	<u>(78)</u>	<u>-</u>	<u>(491)</u>	<u>(491)</u>
Total Foreign	<u>5,128</u>	<u>43,387</u>	<u>48,515</u>	<u>26,006</u>	<u>62,814</u>	<u>88,820</u>
Total Domestic and Foreign	<u>24,221</u>	<u>324,985</u>	<u>349,206</u>	<u>49,844</u>	<u>258,900</u>	<u>308,744</u>

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(Million Baht)

	The Bank					
	2016			2015		
	At call	Term	Total	At call	Term	Total
1. <u>Domestic</u>						
The BoT and FIDF	16,718	238,694	255,412	23,096	186,000	209,096
Commercial banks	90	11,815	11,905	19	274	293
Specialised financial institutions	1	10,800	10,801	1	-	1
Other financial institutions	<u>1,552</u>	<u>11,300</u>	<u>12,852</u>	<u>2</u>	<u>2,000</u>	<u>2,002</u>
Total	18,361	272,609	290,970	23,118	188,274	211,392
<u>Add</u> Accrued interest receivable	-	56	56	-	38	38
<u>Less</u> Deferred revenue	-	-	-	-	(3)	(3)
Allowance for doubtful accounts	<u>-</u>	<u>(31)</u>	<u>(31)</u>	<u>-</u>	<u>(3)</u>	<u>(3)</u>
Total Domestic	<u>18,361</u>	<u>272,634</u>	<u>290,995</u>	<u>23,118</u>	<u>188,306</u>	<u>211,424</u>
2. <u>Foreign</u>						
US Dollars	1,776	31,711	33,487	20,879	40,343	61,222
Japanese Yen	161	-	161	117	-	117
Euro	90	-	90	413	2,169	2,582
Other currencies	<u>2,167</u>	<u>11,231</u>	<u>13,398</u>	<u>3,342</u>	<u>19,948</u>	<u>23,290</u>
Total	4,194	42,942	47,136	24,751	62,460	87,211
<u>Add</u> Accrued interest receivable	1	140	141	1	430	431
<u>Less</u> Deferred revenue	-	(2)	(2)	-	(52)	(52)
Allowance for doubtful accounts	<u>-</u>	<u>(78)</u>	<u>(78)</u>	<u>-</u>	<u>(491)</u>	<u>(491)</u>
Total Foreign	<u>4,195</u>	<u>43,002</u>	<u>47,197</u>	<u>24,752</u>	<u>62,347</u>	<u>87,099</u>
Total Domestic and Foreign	<u>22,556</u>	<u>315,636</u>	<u>338,192</u>	<u>47,870</u>	<u>250,653</u>	<u>298,523</u>

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7. DERIVATIVES

Carrying amount and notional amount classified by type of risks as of 31 December 2016 and 2015 consisted of:

(Million Baht)

<u>Consolidated</u>										
<u>Type of risk</u>	<u>Carrying amount</u>				<u>Notional amount classified by maturity</u>					
	<u>Assets</u>		<u>Liabilities</u>		<u>Up to 1 year</u>		<u>Over 1 year</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Exchange rate	23,962	22,337	24,769	24,428	1,231,453	1,046,714	265,307	242,880	1,496,760	1,289,594
Interest rate	7,802	9,686	6,286	8,792	193,726	258,207	571,280	601,911	765,006	860,118
Others										
- Commodities	470	342	462	335	11,970	8,848	-	-	11,970	8,848
- Equities	92	20	113	16	2,927	725	42	84	2,969	809
- Others	(561)	(554)	-	-	-	-	-	-	-	-
Total	<u>31,765</u>	<u>31,831</u>	<u>31,630</u>	<u>33,571</u>	<u>1,440,076</u>	<u>1,314,494</u>	<u>836,629</u>	<u>844,875</u>	<u>2,276,705</u>	<u>2,159,369</u>

(Million Baht)

<u>The Bank</u>										
<u>Type of risk</u>	<u>Carrying amount</u>				<u>Notional amount classified by maturity</u>					
	<u>Assets</u>		<u>Liabilities</u>		<u>Up to 1 year</u>		<u>Over 1 year</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Exchange rate	24,300	23,043	23,246	22,576	1,230,718	1,045,150	248,357	234,233	1,479,075	1,279,383
Interest rate	7,802	9,686	6,286	8,792	193,726	258,207	569,436	601,417	763,162	859,624
Others										
- Commodities	470	342	462	335	11,970	8,848	-	-	11,970	8,848
- Equities	24	5	21	-	681	-	-	84	681	84
- Others	(569)	(563)	-	-	-	-	-	-	-	-
Total	<u>32,027</u>	<u>32,513</u>	<u>30,015</u>	<u>31,703</u>	<u>1,437,095</u>	<u>1,312,205</u>	<u>817,793</u>	<u>835,734</u>	<u>2,254,888</u>	<u>2,147,939</u>

The carrying amount of derivative assets and liabilities comprises of trading book derivatives measured at fair value and banking book derivatives measured on an accrual basis in accordance with the accounting policy disclosed in note 3.26.

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The proportion of the notional amount of derivative transactions classified by counterparties as of 31 December 2016 and 2015 consisted of:

<u>COUNTERPARTY</u>	<u>Consolidated</u>		<u>The Bank</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>Proportion (%)</u>		<u>Proportion (%)</u>	
Financial institutions	69	74	69	74
Companies - other	<u>31</u>	<u>26</u>	<u>31</u>	<u>26</u>
Total	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

## 8. INVESTMENTS - NET

### 8.1 Type of investments

Investments as of 31 December 2016 and 2015 consisted of:

	<u>Consolidated</u>		<u>The Bank</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>Fair Value</u>	<u>Fair Value</u>	<u>Fair Value</u>	<u>Fair Value</u>
<b>1. Trading investments</b>				
1.1 Government and state enterprise securities	10,645	8,607	10,645	8,607
1.2 Private enterprise debt instruments	724	2,544	724	2,544
1.3 Marketable equity securities - domestic	<u>2,142</u>	<u>572</u>	<u>82</u>	<u>83</u>
Total	<u>13,511</u>	<u>11,723</u>	<u>11,451</u>	<u>11,234</u>
<b>2. Available-for-sale investments</b>				
2.1 Government and state enterprise securities	255,312	147,581	253,561	145,675
2.2 Private enterprise debt instruments	2,456	2,742	425	1,986
2.3 Foreign debt instruments	33,933	28,975	21,140	14,497
2.4 Marketable equity securities - domestic	33,697	25,096	3,211	2,136
2.5 Marketable equity securities - overseas	<u>10,836</u>	<u>10,971</u>	<u>3,643</u>	<u>3,684</u>
Total	<u>336,234</u>	<u>215,365</u>	<u>281,980</u>	<u>167,978</u>

(Million Baht)

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(Million Baht)

	<u>Consolidated</u>		<u>The Bank</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	Cost Value/ Amortised Cost <u>Value</u>	Cost Value/ Amortised Cost <u>Value</u>	Cost Value/ Amortised Cost <u>Value</u>	Cost Value/ Amortised Cost <u>Value</u>
3. <u>Held-to-maturity debt instruments</u>				
3.1 Government and state enterprise securities	213,998	174,370	24,819	30,954
3.2 Private enterprise debt instruments	63,072	58,130	453	453
3.3 Foreign debt instruments	20,333	15,000	-	-
3.4 Investments in receivables	<u>1,135</u>	<u>1,304</u>	<u>1,130</u>	<u>1,300</u>
Total	298,538	248,804	26,402	32,707
<u>Less</u> Allowance for impairment	<u>(473)</u>	<u>(532)</u>	<u>(453)</u>	<u>(453)</u>
Total	<u>298,065</u>	<u>248,272</u>	<u>25,949</u>	<u>32,254</u>
4. <u>General investments</u>				
4.1 Non-marketable equity securities - domestic	1,312	1,552	1,074	1,316
4.2 Non-marketable equity securities - overseas	<u>698</u>	<u>510</u>	<u>510</u>	<u>510</u>
Total	2,010	2,062	1,584	1,826
<u>Less</u> Allowance for impairment	<u>(222)</u>	<u>(222)</u>	<u>(93)</u>	<u>(93)</u>
Total	<u>1,788</u>	<u>1,840</u>	<u>1,491</u>	<u>1,733</u>
Total Investments - net	<u>649,598</u>	<u>477,200</u>	<u>320,871</u>	<u>213,199</u>

8.2 Revaluation surplus on available-for-sale investments

As of 31 December 2016 and 2015, revaluation surplus on available-for-sale investments consisted of:

(Million Baht)

	<u>Consolidated</u>		<u>The Bank</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revaluation surplus on available-for-sale investments*				
Debt instruments	(14)	195	(149)	60
Equity securities	<u>6,780</u>	<u>5,039</u>	<u>4,643</u>	<u>3,814</u>
Total	<u>6,766</u>	<u>5,234</u>	<u>4,494</u>	<u>3,874</u>

\* net of deferred tax

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8.3 Maturity for debt instruments

As of 31 December 2016 and 2015, the contractual maturity for debt instruments not held for trading is as follows:

(Million Baht)

	<u>Consolidated</u>							
	<u>2016</u>				<u>2015</u>			
	<u>Maturity</u>				<u>Maturity</u>			
	<u>Over</u>			<u>Total</u>	<u>Over</u>			<u>Total</u>
	<u>Within</u>	<u>1 year to</u>	<u>Over</u>		<u>Within</u>	<u>1 year to</u>	<u>Over</u>	
	<u>1 year</u>	<u>5 years</u>	<u>5 years</u>		<u>1 year</u>	<u>5 years</u>	<u>5 years</u>	
1. Available-for-sale investments								
1.1 Government and state								
enterprise securities	132,932	117,851	4,525	255,308	121,534	20,782	4,991	147,307
1.2 Private enterprise debt								
instruments	241	237	2,031	2,509	1,047	973	784	2,804
1.3 Foreign debt instruments	<u>21,771</u>	<u>2,811</u>	<u>8,951</u>	<u>33,533</u>	<u>16,111</u>	<u>1,858</u>	<u>10,610</u>	<u>28,579</u>
Total	154,944	120,899	15,507	291,350	138,692	23,613	16,385	178,690
<u>Add</u> Allowance for revaluation	(15)	4	408	397	165	159	330	654
<u>Less</u> Allowance for impairment	<u>-</u>	<u>-</u>	<u>(46)</u>	<u>(46)</u>	<u>-</u>	<u>-</u>	<u>(46)</u>	<u>(46)</u>
Total	<u>154,929</u>	<u>120,903</u>	<u>15,869</u>	<u>291,701</u>	<u>138,857</u>	<u>23,772</u>	<u>16,669</u>	<u>179,298</u>
2. Held-to-maturity debt								
instruments								
2.1 Government and state								
enterprise securities	2,259	33,741	177,998	213,998	9,329	28,773	136,268	174,370
2.2 Private enterprise debt								
instruments	1,416	12,010	49,646	63,072	2,311	7,747	48,072	58,130
2.3 Foreign debt instruments	363	326	19,644	20,333	110	526	14,364	15,000
2.4 Investments in receivables	<u>126</u>	<u>546</u>	<u>463</u>	<u>1,135</u>	<u>124</u>	<u>543</u>	<u>637</u>	<u>1,304</u>
Total	4,164	46,623	247,751	298,538	11,874	37,589	199,341	248,804
<u>Less</u> Allowance for impairment	<u>(5)</u>	<u>-</u>	<u>(468)</u>	<u>(473)</u>	<u>(5)</u>	<u>-</u>	<u>(527)</u>	<u>(532)</u>
Total	<u>4,159</u>	<u>46,623</u>	<u>247,283</u>	<u>298,065</u>	<u>11,869</u>	<u>37,589</u>	<u>198,814</u>	<u>248,272</u>
Total Debt Instruments	<u>159,088</u>	<u>167,526</u>	<u>263,152</u>	<u>589,766</u>	<u>150,726</u>	<u>61,361</u>	<u>215,483</u>	<u>427,570</u>

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(Million Baht)

	The Bank							
	<u>2016</u>				<u>2015</u>			
	<u>Maturity</u>				<u>Maturity</u>			
	<u>Over</u>				<u>Over</u>			
	<u>Within</u>	<u>1 year to</u>	<u>Over</u>	<u>Total</u>	<u>Within</u>	<u>1 year to</u>	<u>Over</u>	<u>Total</u>
	<u>1 year</u>	<u>5 years</u>	<u>5 years</u>		<u>1 year</u>	<u>5 years</u>	<u>5 years</u>	
1. Available-for-sale investments								
1.1 Government and state								
enterprise securities	132,871	117,540	3,319	253,730	121,403	20,629	3,593	145,625
1.2 Private enterprise debt								
instruments	190	230	46	466	1,046	920	46	2,012
1.3 Foreign debt instruments	<u>21,162</u>	<u>-</u>	<u>-</u>	<u>21,162</u>	<u>14,495</u>	<u>-</u>	<u>-</u>	<u>14,495</u>
Total	154,223	117,770	3,365	275,358	136,944	21,549	3,639	162,132
<u>Add (Less)</u> Allowance for								
revaluation	(21)	(149)	(16)	(186)	134	60	(122)	72
<u>Less</u> Allowance for impairment	<u>-</u>	<u>-</u>	<u>(46)</u>	<u>(46)</u>	<u>-</u>	<u>-</u>	<u>(46)</u>	<u>(46)</u>
Total	<u>154,202</u>	<u>117,621</u>	<u>3,303</u>	<u>275,126</u>	<u>137,078</u>	<u>21,609</u>	<u>3,471</u>	<u>162,158</u>
2. Held-to-maturity debt								
instruments								
2.1 Government and state								
enterprise securities	201	23,006	1,612	24,819	9,140	20,210	1,604	30,954
2.2 Private enterprise debt								
instruments	-	-	453	453	-	-	453	453
2.3 Investments in receivables	<u>121</u>	<u>546</u>	<u>463</u>	<u>1,130</u>	<u>120</u>	<u>543</u>	<u>637</u>	<u>1,300</u>
Total	322	23,552	2,528	26,402	9,260	20,753	2,694	32,707
<u>Less</u> Allowance for impairment	<u>-</u>	<u>-</u>	<u>(453)</u>	<u>(453)</u>	<u>-</u>	<u>-</u>	<u>(453)</u>	<u>(453)</u>
Total	<u>322</u>	<u>23,552</u>	<u>2,075</u>	<u>25,949</u>	<u>9,260</u>	<u>20,753</u>	<u>2,241</u>	<u>32,254</u>
Total Debt Instruments	<u>154,524</u>	<u>141,173</u>	<u>5,378</u>	<u>301,075</u>	<u>146,338</u>	<u>42,362</u>	<u>5,712</u>	<u>194,412</u>



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8.4 Investments in other companies having a going concern

As of 31 December 2016 and 2015, investments held by the Bank and its subsidiaries in listed companies which meet SET's criteria for delisting, and are in default on debt instruments, or companies whose ability to continue as a going concern is uncertain, or unlisted companies whose financial position and operating results are the same as companies which meet SET's criteria for delisting or investments in receivables with uncertainty in settlement or in default, were as follows:

(Million Baht)						
<u>2016</u>						
	<u>Consolidated</u>			<u>The Bank</u>		
	<u>Cost Value/</u>	<u>Allowance for</u>		<u>Cost Value/</u>	<u>Allowance for</u>	
	<u>Book Value</u>	<u>Fair Value</u>	<u>Impairment</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>Impairment</u>
1. Listed companies which meet SET's criteria for delisting, and are in default on debt instruments						
- Debt Instruments	46	-	(46)	46	-	(46)
2. Companies whose ability to continue as a going concern is uncertain, or unlisted companies whose financial position and operating results are the same as companies which meet SET's criteria for delisting						
- Equity Securities	34	-	(34)	22	-	(22)
- Debt Instruments	453	-	(453)	453	-	(453)
3. Investments in receivables with uncertainty in settlement or in default	<u>5</u>	<u>-</u>	<u>(5)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>538</u>	<u>-</u>	<u>(538)</u>	<u>521</u>	<u>-</u>	<u>(521)</u>

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(Million Baht)

	<u>2015</u>					
	<u>Consolidated</u>			<u>The Bank</u>		
	<u>Cost Value/</u>		<u>Allowance for</u>	<u>Cost Value/</u>		<u>Allowance for</u>
	<u>Book Value</u>	<u>Fair Value</u>	<u>Impairment</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>Impairment</u>
1. Listed companies which meet SET's criteria for delisting, and are in default on debt instruments						
- Debt Instruments	46	-	(46)	46	-	(46)
2. Companies whose ability to continue as a going concern is uncertain, or unlisted companies whose financial position and operating results are the same as companies which meet SET's criteria for delisting						
- Equity Securities	22	-	(22)	22	-	(22)
- Debt Instruments	453	-	(453)	453	-	(453)
3. Investments in receivables with uncertainty in settlement or in default	<u>5</u>	<u>-</u>	<u>(5)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>526</u>	<u>-</u>	<u>(526)</u>	<u>521</u>	<u>-</u>	<u>(521)</u>

#### 8.5 Investments over 10% held by the Bank and its subsidiaries

As of 31 December 2016 and 2015, investments held by the Bank and its subsidiaries, that were more than 10% of those companies' shares and were not investments in subsidiaries and associated companies, classified by industry were as follows:

(Million Baht)

	<u>Consolidated</u>		<u>The Bank</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Agriculture and mining	5	-	-	-
Property development and construction	2,083	780	537	780
Infrastructure and services	260	268	142	142
Others	<u>2,087</u>	<u>1,809</u>	<u>46</u>	<u>46</u>
Total	<u>4,435</u>	<u>2,857</u>	<u>725</u>	<u>968</u>

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9 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES - NET

9.1 Type of investments in subsidiaries and associated companies

As of 31 December 2016 and 2015, investments in ordinary shares of subsidiaries and associated companies were as follows:

(Million Baht)

Consolidated								
			% Shareholding					
			Direct and indirect		Cost method		Equity method	
	Type of Business	Type of Share	2016	2015	2016	2015	2016	2015
Associated companies								
Processing Center Co., Ltd.	Service	Ordinary	30.00%	30.00%	15	15	265	204
National ITMX Co., Ltd.	Service	Ordinary	22.15%	22.15%	52	52	310	287
Sovannaphum Life Assurance PLC <sup>2)</sup>	Life Insurance	Ordinary	18.74%	18.74%	168	116	151	112
Goco Co., Ltd. <sup>1)</sup>	Information and communication system development	Ordinary	22.65%	22.65%	4	4	-	-
Lawson-Marsh Events Co., Ltd. <sup>1)</sup>	Professional conference organizer	Ordinary	35.71%	35.71%	5	5	-	-
O&H Honeycomb Paper Co., Ltd. <sup>1)</sup>	Manufacture and sale of honeycomb paper	Ordinary	40.99%	40.99%	18	18	-	-
Zinco Living Co., Ltd. <sup>1)</sup>	Design and sale of garden tools and import of running shoes	Ordinary	-	24.81%	-	3	-	3
LD Restaurant Co., Ltd. <sup>1)</sup>	Restaurant	Ordinary	37.22%	38.50%	4	5	4	5
Pet Club Co., Ltd. <sup>1)</sup>	Pet shops and services	Ordinary	38.46%	38.46%	6	6	6	6
Tee Entertainment Co., Ltd. <sup>1)</sup>	Event organizer							
	Restaurant and Sale of consumer goods	Ordinary	27.61%	27.61%	45	45	45	45
Beacon Interface Co., Ltd. <sup>1)</sup>	Mobile Application	Ordinary	50.00%	-	-	-	-	-
Total Investments in Associated Companies					317	269	781	662
Less Allowance for impairment					(27)	(27)	-	-
Investments in Associated Companies - Net					290	242	781	662

<sup>1)</sup> The Bank holds shares indirectly through K-SME Venture Capital Co., Ltd.

<sup>2)</sup> The Bank holds shares indirectly through Muang Thai Life Assurance PCL

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(Million Baht)

			The Bank					
			% Shareholding					
			Direct and indirect		Cost method		Dividend income	
	Type of	Type of						
	Business	Share	2016	2015	2016	2015	2016	2015
Subsidiaries								
KASIKORN ASSET MANAGEMENT	Fund							
CO., LTD.	Management	Ordinary	100.00%	100.00%	2,003	2,003	2,467	1,788
KASIKORN RESEARCH CENTER								
CO., LTD.	Service	Ordinary	100.00%	100.00%	10	10	-	-
KASIKORN SECURITIES PCL	Securities							
(“KSecurities”)	Business	Ordinary	99.99%	99.99%	1,512	1,512	-	-
KASIKORN LEASING CO., LTD.	Auto Leasing	Ordinary	100.00%	100.00%	900	900	120	-
KASIKORN FACTORY & EQUIPMENT	Equipment							
CO., LTD.	Leasing	Ordinary	100.00%	100.00%	237	237	-	-
KASIKORN TECHNOLOGY GROUP								
SECRETARIAT CO., LTD.	Service	Ordinary	100.00%	100.00%	5	5	-	-
KASIKORN LABS CO., LTD.	Service	Ordinary	100.00%	100.00%	5	5	-	-
KASIKORN SOFT CO., LTD.	Service	Ordinary	100.00%	100.00%	5	5	-	-
KASIKORN PRO CO., LTD.	Service	Ordinary	100.00%	100.00%	5	5	-	-
KASIKORN SERVE CO., LTD.								
( Formerly name PROGRESS								
SOFTWARE CO., LTD.)	Service	Ordinary	100.00%	100.00%	19	19	200	-
Muang Thai Group Holding Co., Ltd.	Investment in							
(“MTGH”)	other							
	Companies	Ordinary	51.00%	51.00%	7,575	3,077	357	161
Muang Thai Life Assurance PCL (“MTL”)	Life Insurance	Ordinary	38.25%	38.25%	-	-	-	-
KASIKORNTHAI BANK Limited	Commercial							
	Banking	Ordinary	100.00%	100.00%	1,095	1,095	-	-
KHAO KLA Venture Capital	Venture							
Management Co., Ltd.	Capital							
	Management	Ordinary	100.00%	100.00%	-	-	-	-
K-SME Venture Capital Co., Ltd.	Venture							
	Capital	Ordinary	100.00%	100.00%	200	200	-	-

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(Million Baht)

			The Bank					
			% Shareholding					
			Direct and indirect		Cost method		Dividend income	
			2016	2015	2016	2015	2016	2015
	Type of Business	Type of Share						
<u>Subsidiaries</u>								
BEACON VENTURE CAPITAL COMPANY LIMITED	Venture Capital	Ordinary	100.00%	-	1,000	-	-	-
Phethai Asset Management Co., Ltd.	Asset Management	Ordinary	100.00%	100.00%	1,740	1,930	-	-
Starbright Finance Co., Ltd.	Finance	Ordinary	100.00%	100.00%	761	761	-	-
PROGRESS PLUS CO., LTD.	Sales of inventories and service	Ordinary	100.00%	100.00%	1	1	-	-
PROGRESS APPRAISAL CO., LTD.	Service	Ordinary	100.00%	100.00%	5	5	6	12
PROGRESS GUNPAI SECURITY GUARD CO., LTD. (Formerly name PROGRESS GUNPAI CO., LTD.)	Service	Ordinary	100.00%	100.00%	21	21	100	20
PROGRESS MANAGEMENT CO., LTD.	Service	Ordinary	100.00%	100.00%	6	6	6	2
PROGRESS FACILITIES MANAGEMENT CO., LTD.	Service	Ordinary	100.00%	100.00%	5	5	6	6
PROGRESS SERVICE SECURITY GUARD CO., LTD. (Formerly name PROGRESS SERVICE CO., LTD.)	Service	Ordinary	100.00%	100.00%	2	2	22	20
PROGRESS STORAGE CO., LTD.	Service	Ordinary	100.00%	100.00%	3	3	12	9
PROGRESS H R CO., LTD.	Service	Ordinary	100.00%	100.00%	1	1	-	20
PROGRESS SERVICE SUPPORT CO., LTD.	Service	Ordinary	100.00%	100.00%	4	4	-	-
PROGRESS COLLECTION CO., LTD.	Service	Ordinary	100.00%	100.00%	5	5	3	5
PROGRESS TRAINING CO., LTD.	Service	Ordinary	100.00%	100.00%	2	2	-	-
PROGRESS MULTI INSURANCE BROKER CO., LTD.	Insurance Broker	Ordinary	100.00%	100.00%	-	-	-	-

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(Million Baht)

			The Bank					
			% Shareholding					
			Direct and indirect		Cost method		Dividend income	
			2016	2015	2016	2015	2016	2015
	Type of Business	Type of Share						
<u>Subsidiaries</u>								
Thanyathanathavee Co., Ltd.	Investment in other Companies	Ordinary	-	100.00%	-	1,149	-	-
Thanyathamrongkij Co., Ltd.	Investment in other Companies	Ordinary	-	100.00%	-	1,149	-	-
Thanyanithiwattana Co., Ltd.	Investment in other Companies	Ordinary	-	100.00%	-	2,204	-	147
Ruang Khao Phuean Thai Joint Investment Agreement	Investment in other Companies	Ordinary	-	100.00%	-	-	-	-
Muang Thai Broker Co., Ltd.	Insurance Broker	Ordinary	50.49%	50.49%	-	-	-	-
MT Insure Broker Co., Ltd.	Insurance Broker	Ordinary	38.25%	38.25%	-	-	-	-
<u>Associated companies</u>								
Processing Center Co., Ltd.	Service	Ordinary	30.00%	30.00%	15	15	47	33
National ITMX Co., Ltd.	Service	Ordinary	22.15%	22.15%	52	52	-	-
Sovannaphum Life Assurance PLC	Life Insurance	Ordinary	18.74%	18.74%	-	-	-	-
Total					17,194	16,388	3,346	2,223
<u>Less</u> Allowance for impairment					(1,740)	(1,912)	-	-
Fair value hedge adjustments					(15)	-	-	-
Investments in Subsidiaries and Associated Companies - Net					<u>15,439</u>	<u>14,476</u>	<u>3,346</u>	<u>2,223</u>

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The accounting for investments in associated companies using the equity method in the consolidated financial statements is based on financial information obtained from unaudited or unreviewed financial statements.

Subsidiaries and associated companies were incorporated in Thailand except for KASIKORNTHAI BANK Limited, Starbright Finance Co., Ltd. and Sovannaphum Life Assurance PLC incorporated in Lao PDR, People's Republic of China and Kingdom of Cambodia, respectively.

Thanyathanathavee Co., Ltd., and Thanyathamrongkij Co., Ltd. terminated Ruang Khao Phuean Thai Joint Investment Agreement effective from 19 January 2016, and Thanyathanathavee Co., Ltd., Thanyathamrongkij Co., Ltd. and Thanyanithiwattana Co., Ltd. have registered for dissolution and were completely liquidated on 28 March 2016.

On 25 January 2016, the Extraordinary General Meeting of the Shareholder of Phethai Asset Management Co., Ltd., a subsidiary of the Bank, passed a unanimous resolution to reduce Baht 190 million of authorised, issued and paid-up share capital.

On 15 December 2016, the Bank established a new subsidiary company under the name BEACON VENTURE CAPITAL COMPANY LIMITED. The Company has Baht 1,000 million of authorized share capital which is Baht 250 million of initial paid-up capital.

## 9.2 Non-controlling interests in subsidiaries

As of 31 December 2016, the proportion of shareholding of non-controlling interests in subsidiaries that are material to the Bank is summarised as follows:

	<u>2016</u>
<u>Companies in MTGH Group</u>	
Muang Thai Group Holding Co., Ltd.	49.00%
Muang Thai Life Assurance PCL	61.75%
Muang Thai Broker Co., Ltd.	49.51%
MT Insure Broker Co., Ltd.	61.75%

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9.3 Financial positions, results of operations and cash flows of the Bank's subsidiaries and associated companies

9.3.1 The summarised financial information of the subsidiaries that have non-controlling interest that are material to the Bank is set out below:

(Million Baht)

	Statements of Financial Position					
	31 December 2016			31 December 2015		
	(Unaudited)			(Audited)		
	Total	Total	Total	Total	Total	Total
	<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>
Companies in MTGH Group*	372,826	319,079	53,747	305,938	261,725	44,213

\* The majority is contributed by Muang Thai Life Assurance PCL.

(Million Baht)

	Statements of Profit or Loss and Other Comprehensive Income					
	For the Year Ended 31 December					
	2016			2015		
	(Unaudited)					
	Operating			Operating		
	<u>Income - net</u>	<u>Expenses*</u>	<u>Net Profit</u>	<u>Income - net</u>	<u>Expenses*</u>	<u>Net Profit</u>
Companies in MTGH Group***	16,654**	6,966	9,688	15,259**	6,746	8,513

\* Expenses comprise total other operating expenses, impairment loss on loans and debt securities and income tax expense.

\*\* Including dividend income among the group for 2016 and 2015 amounting to Baht 1,193 million and Baht 1,128 million, respectively.

\*\*\* The majority is contributed by Muang Thai Life Assurance PCL.



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(Million Baht)

Statements of Cash Flows			
For the Year Ended 31 December 2016			
(Unaudited)			
	Net Cash by	Net Cash by	Net Cash by
	<u>Operating Activities</u>	<u>Investing Activities</u>	<u>Financing Activities</u>
Companies in MTGH Group*	3,206	(916)	(2,290)

(Million Baht)

Statements of Cash Flows			
For the Year Ended 31 December 2015			
(Unaudited)			
	Net Cash by	Net Cash by	Net Cash by
	<u>Operating Activities</u>	<u>Investing Activities</u>	<u>Financing Activities</u>
Companies in MTGH Group*	3,058	(941)	(2,117)

\* The majority is contributed by Muang Thai Life Assurance PCL.

9.3.2 The summarised financial information of the immaterial associated companies is set out below:

(Million Baht)

Statements of Profit or Loss and Other Comprehensive Income				
For the Year Ended 31 December				
	2016		2015	
	(Unaudited)			
		Total		Total
		Comprehensive		Comprehensive
	<u>Net Profit</u>	<u>Income</u>	<u>Net Profit</u>	<u>Income</u>
Associated Companies	419	432	358	358

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9.3.3 Disclosure of Statements of Cash Flows of Asset Management Company (“AMC”)

Phethai Asset Management Company Limited

Statements of Cash Flows

For the Years Ended 31 December 2016 and 2015

	Million Baht	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax expense	18	59
(Less) Add Adjustments to reconcile profit before income tax expense to net cash from operating activities		
Reversal of doubtful accounts	-	(8)
Gain on transfer of changing account	-	(1)
	18	50
Interest income - net	(15)	(36)
Proceeds from interest	15	36
Income tax paid	(6)	1
Profit from operating before changes in operating assets and liabilities	12	51
Decrease in operating assets		
Investments in receivables	1	-
Loans	11	22
Properties foreclosed	8	44
Other assets	56	106
Increase in operating liabilities		
Other liabilities	2	-
Net cash provided by operating activities	90	223
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash paid for share capital decrease	(190)	(200)
Net cash used in financing activities	(190)	(200)
Net (decrease) increase in cash	(100)	23
Cash at the beginning of the year	199	176
Cash at the end of the year	99	199

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**9.4 Interest in unconsolidated structured entities arising in the normal course of business**

The Bank and its subsidiaries transact with unconsolidated structured entities, through involvement in establishment process, acting as the trustee, as well as providing source of funds. These entities may take the form of funds, trusts and REITs.

The provision of funds is in the form of loans which are disbursed under normal business terms. These loans are managed in the same way as all other loans and receivables. The outstanding loans to these structured entities as of 31 December 2016 and 2015 amounted to Baht 3,394 million and Baht 2,910 million, respectively.

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10 LOANS TO CUSTOMERS AND ACCRUED INTEREST RECEIVABLES - NET

As of 31 December 2016 and 2015, loans to customers and accrued interest receivables - net consisted of:

10.1 Classified by Type of Loans

	<u>Consolidated</u>		<u>The Bank</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Overdrafts	301,547	289,859	301,410	289,680
Loans	819,684	758,596	900,672	836,534
Bills	369,175	362,281	374,077	368,224
Hire purchase receivables	88,980	85,951	-	-
Finance lease receivables	19,339	18,614	-	-
Others	108,510	104,226	96,087	93,627
<u>Less</u> Deferred revenue	<u>(9,654)</u>	<u>(9,640)</u>	<u>(339)</u>	<u>(294)</u>
Total loans to customers net of deferred revenue	1,697,581	1,609,887	1,671,907	1,587,771
<u>Add</u> Accrued interest receivables	<u>3,492</u>	<u>3,088</u>	<u>3,053</u>	<u>2,707</u>
Total loans to customers net of deferred revenue plus accrued interest receivables	1,701,073	1,612,975	1,674,960	1,590,478
<u>Less</u> Allowance for doubtful accounts				
1. Minimum reserve under BoT's Regulations	(37,133)	(30,004)	(36,812)	(29,989)
2. Excess allowance	(44,963)	(30,687)	(43,109)	(29,146)
3. Credit balance transaction	(46)	(46)	-	-
4. Loan from life insurance business	(276)	(164)	-	-
<u>Less</u> Revaluation allowance for debt restructuring	<u>(2,794)</u>	<u>(3,416)</u>	<u>(2,794)</u>	<u>(3,416)</u>
Total Loans to customers and accrued interest receivables - net	<u>1,615,861</u>	<u>1,548,658</u>	<u>1,592,245</u>	<u>1,527,927</u>

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10.2 Classified by Currencies and Residency of Borrowers

(Million Baht)

	<u>Consolidated</u>					
	<u>2016</u>			<u>2015</u>		
	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
Baht	1,567,998	14,660	1,582,658	1,482,568	13,620	1,496,188
US Dollars	91,635	11,620	103,255	96,019	7,710	103,729
Other currencies	<u>4,623</u>	<u>7,045</u>	<u>11,668</u>	<u>5,628</u>	<u>4,342</u>	<u>9,970</u>
Total	<u>1,664,256</u>	<u>33,325</u>	<u>1,697,581</u>	<u>1,584,215</u>	<u>25,672</u>	<u>1,609,887</u>

(Million Baht)

	<u>The Bank</u>					
	<u>2016</u>			<u>2015</u>		
	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
Baht	1,543,381	14,521	1,557,902	1,460,916	13,609	1,474,525
US Dollars	91,634	10,847	102,481	96,019	7,342	103,361
Other currencies	<u>4,623</u>	<u>6,901</u>	<u>11,524</u>	<u>5,628</u>	<u>4,257</u>	<u>9,885</u>
Total	<u>1,639,638</u>	<u>32,269</u>	<u>1,671,907</u>	<u>1,562,563</u>	<u>25,208</u>	<u>1,587,771</u>

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10.3 Classified by Type of Business and Account Status

(Million Baht)

	<u>Consolidated</u>					
	<u>2016</u>					
	<u>Pass</u>	<u>Special</u> <u>Mention</u>	<u>Sub-</u> <u>Standard</u>	<u>Doubtful</u>	<u>Doubtful</u> <u>of Loss</u>	<u>Total</u>
Agriculture and mining	31,972	1,872	296	279	803	35,222
Manufacturing and commerce	759,644	22,371	10,105	7,920	16,385	816,425
Property development and construction	108,820	2,891	600	682	1,922	114,915
Infrastructure and services	240,092	4,128	1,898	1,195	2,115	249,428
Housing loans	224,593	5,696	2,334	2,894	4,919	240,436
Others	<u>207,012</u>	<u>6,097</u>	<u>3,797</u>	<u>3,918</u>	<u>3,025</u>	<u>223,849</u>
Total	<u>1,572,133</u>	<u>43,055</u>	<u>19,030</u>	<u>16,888</u>	<u>29,169</u>	1,680,275
Credit balance transaction						1,949
Loans in life insurance business						<u>15,357</u>
Total						<u>1,697,581</u>

(Million Baht)

	<u>Consolidated</u>					
	<u>2015</u>					
	<u>Pass</u>	<u>Special</u> <u>Mention</u>	<u>Sub-</u> <u>Standard</u>	<u>Doubtful</u>	<u>Doubtful</u> <u>of Loss</u>	<u>Total</u>
Agriculture and mining	29,109	980	127	273	566	31,055
Manufacturing and commerce	749,119	17,908	6,532	7,497	9,204	790,260
Property development and construction	101,764	2,166	294	705	1,533	106,462
Infrastructure and services	205,406	3,102	839	1,044	1,919	212,310
Housing loans	222,389	5,546	2,189	2,906	2,635	235,665
Others	<u>200,835</u>	<u>6,088</u>	<u>2,877</u>	<u>4,064</u>	<u>4,286</u>	<u>218,150</u>
Total	<u>1,508,622</u>	<u>35,790</u>	<u>12,858</u>	<u>16,489</u>	<u>20,143</u>	1,593,902
Credit balance transaction						2,280
Loans in life insurance business						<u>13,705</u>
Total						<u>1,609,887</u>

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(Million Baht)

	The Bank					Total
	2016					
	Pass	Special Mention	Sub- Standard	Doubtful	Doubtful of Loss	
Agriculture and mining	31,240	1,863	294	241	786	34,424
Manufacturing and commerce	740,319	22,150	10,019	7,862	15,992	796,342
Property development and construction	103,512	2,812	571	664	1,845	109,404
Infrastructure and services	214,447	3,719	1,865	1,165	1,996	223,192
Housing loans	224,592	5,696	2,334	2,895	4,834	240,351
Others	<u>254,193</u>	<u>4,346</u>	<u>3,532</u>	<u>3,735</u>	<u>2,388</u>	<u>268,194</u>
Total	<u>1,568,303</u>	<u>40,586</u>	<u>18,615</u>	<u>16,562</u>	<u>27,841</u>	<u>1,671,907</u>

(Million Baht)

	The Bank					Total
	2015					
	Pass	Special Mention	Sub- Standard	Doubtful	Doubtful of Loss	
Agriculture and mining	28,408	930	124	272	548	30,282
Manufacturing and commerce	730,856	17,677	6,497	7,465	8,841	771,336
Property development and construction	97,810	2,096	280	686	1,460	102,332
Infrastructure and services	182,171	2,874	824	1,008	1,772	188,649
Housing loans	222,388	5,546	2,189	2,907	2,623	235,653
Others	<u>245,332</u>	<u>4,038</u>	<u>2,538</u>	<u>3,845</u>	<u>3,766</u>	<u>259,519</u>
Total	<u>1,506,965</u>	<u>33,161</u>	<u>12,452</u>	<u>16,183</u>	<u>19,010</u>	<u>1,587,771</u>

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10.4 Classified by Account Status

(Million Baht)

	<u>Consolidated</u>			
	<u>2016</u>			
	Loans and Accrued Interest <u>Receivables</u>	Net amount used for setting the Allowance for Doubtful Accounts	% Used for setting the Allowance for Doubtful Accounts	Allowance for Doubtful Accounts
1. Minimum reserve under BoT's Regulations				
Pass	1,574,805	603,571	1	6,036
Special Mention	43,280	11,013	2	220
Sub-Standard	19,110	10,259	100	10,259
Doubtful	16,888	7,913	100	7,913
Doubtful of Loss	<u>29,267</u>	<u>12,705</u>	100	<u>12,705</u>
Total	1,683,350	<u>645,461</u>		37,133
2. Excess allowance				44,963
3. Credit balance transaction	1,949			46
4. Loans in life insurance business	<u>15,774</u>			<u>276</u>
Total	<u>1,701,073</u>			<u>82,418</u>



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(Million Baht)

	<u>Consolidated</u>			
	<u>2015</u>			
	Loans and Accrued Interest <u>Receivables</u>	Net amount used for setting the Allowance <u>for Doubtful Accounts</u>	% Used for setting the Allowance for <u>Doubtful Accounts</u>	Allowance for <u>Doubtful Accounts</u>
1. Minimum reserve under BoT's Regulations				
Pass	1,511,028	527,099	1	5,271
Special Mention	35,969	9,723	2	194
Sub-Standard	12,906	5,841	100	5,841
Doubtful	16,490	8,211	100	8,211
Doubtful of Loss	<u>20,241</u>	<u>10,487</u>	100	<u>10,487</u>
Total	1,596,634	<u>561,361</u>		30,004
2. Excess allowance				30,687
3. Credit balance transaction	2,280			46
4. Loans in life insurance business	<u>14,061</u>			<u>164</u>
Total	<u>1,612,975</u>			<u>60,901</u>

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(Million Baht)

The Bank				
2016				
	Loans and Accrued Interest Receivables	Net amount used for setting the Allowance for Doubtful Accounts	% Used for setting the Allowance for Doubtful Accounts	Allowance for Doubtful Accounts
1. Minimum reserve under BoT's Regulations				
Pass	1,570,957	695,986	1	6,960
Special Mention	40,812	10,969	2	219
Sub-Standard	18,694	10,199	100	10,199
Doubtful	16,562	7,865	100	7,865
Doubtful of Loss	<u>27,935</u>	<u>11,569</u>	100	<u>11,569</u>
Total	<u>1,674,960</u>	<u>736,588</u>		36,812
2. Excess allowance				<u>43,109</u>
Total				<u>79,921</u>

(Million Baht)

The Bank				
2015				
	Loans and Accrued Interest Receivables	Net amount used for setting the Allowance for Doubtful Accounts	% Used for setting the Allowance for Doubtful Accounts	Allowance for Doubtful Accounts
1. Minimum reserve under BoT's Regulations				
Pass	1,509,352	619,409	1	6,194
Special Mention	33,339	9,697	2	194
Sub-Standard	12,500	5,821	100	5,821
Doubtful	16,183	8,184	100	8,184
Doubtful of Loss	<u>19,104</u>	<u>9,596</u>	100	<u>9,596</u>
Total	<u>1,590,478</u>	<u>652,707</u>		29,989
2. Excess allowance				<u>29,146</u>
Total				<u>59,135</u>

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**10.5 Non-performing loans (NPL)**

According to the BoT's directive number SOR NOR SOR 23/2558, dated 4 December 2015, titled "Preparation and announcement of condensed report of assets and liabilities of commercial banks" defines the following:

Non-performing loans (NPL gross) are defined as sub-standard quality loans, being outstanding loans of sub-standard, doubtful, doubtful of loss and loss loan accounts in accordance with the BoT's directive number SOR NOR SOR 5/2559, dated 10 June 2016, titled "Classification and provision criteria of financial institution".

Non-performing loans, net (NPL net) refers to the non-performing loan value, net of total allowances for doubtful accounts.

In accordance with the BoT's regulations, commercial banks are required to report the following information:

- Non-performing loans (NPL gross).
- The ratio of NPL to total loans.
- Non-performing loans, net (NPL net).
- The ratio of NPL net to total loans after deduction of allowances for doubtful accounts.

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As of 31 December 2016 and 2015, The Bank and its subsidiaries showed non-performing loans (including financial institutions) to comply with BoT's regulations, summarised as follows:

	(Million Baht)			
	<u>2016</u>			
		Phethai Asset		
	<u>KASIKORNBANK</u>	<u>Management</u>	<u>Others</u>	<u>Consolidated</u>
<u>Non-performing loans, gross</u>				
Non-performing loans	63,018	188	1,881	65,087
Total loans used for NPL gross ratio				
calculation <sup>(1)</sup>	1,950,055	189	106,550	1,958,424 <sup>(2)</sup>
Ratio of total loans	3.23	99.33	1.77	3.32
<u>Non-performing loans, net</u>				
Non-performing loans	32,727	132	694	33,553
Total loans used for NPL net ratio				
calculation <sup>(1)</sup>	1,919,765	133	105,362	1,926,890 <sup>(2)</sup>
Ratio of total loans	1.70	99.05	0.66	1.74

	(Million Baht)			
	<u>2015</u>			
		Phethai Asset		
	<u>KASIKORNBANK</u>	<u>Management</u>	<u>Others</u>	<u>Consolidated</u>
<u>Non-performing loans, gross</u>				
Non-performing loans	47,645	239	1,606	49,490
Total loans used for NPL gross ratio				
calculation <sup>(1)</sup>	1,824,802	241	102,532	1,830,933 <sup>(2)</sup>
Ratio of total loans	2.61	99.08	1.57	2.70
<u>Non-performing loans, net</u>				
Non-performing loans	23,679	162	745	24,586
Total loans used for NPL net ratio				
calculation <sup>(1)</sup>	1,800,836	164	101,671	1,806,029 <sup>(2)</sup>
Ratio of total loans	1.31	98.64	0.73	1.36

<sup>(1)</sup> Excluding loans from KSecurities and MTL.

<sup>(2)</sup> Excluding loans to and from subsidiaries.

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10.6 Non-accrual loans based on the accrual basis

As of 31 December 2016 and 2015, the Bank and its subsidiaries showed non-accrual loans, gross, (including financial institutions) based on the accrual basis to comply with BoT's regulations, summarised as follows:

	<u>Consolidated</u>		<u>The Bank</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Non-accrual loans	144,806	127,705	142,593	125,725
Total loans used for ratio calculation <sup>(1)</sup>	1,958,424 <sup>(2)</sup>	1,830,933 <sup>(2)</sup>	1,950,055	1,824,802
Percentage of total loans	7.39	6.97	7.31	6.89

<sup>(1)</sup> Excluding loans from KSecurities and MTL.

<sup>(2)</sup> Excluding loans to and from subsidiaries.

10.7 Listed companies that meet SET's criteria for delisting

As of 31 December 2016 and 2015, loans to listed companies that meet SET's criteria for delisting were as follows:

	<u>Consolidated and The Bank</u>					
	<u>2016</u>			<u>2015</u>		
	Loans and Accrued Interest <u>Receivables</u>	Collateral <u>Value</u>	Allowance for Doubtful Accounts	Loans and Accrued Interest <u>Receivables</u>	Collateral <u>Value</u>	Allowance for Doubtful Accounts
Listed companies which meet SET's criteria for delisting	859	116	10	227	122	4

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10.8 Hire Purchase and Finance Lease Receivables

(Million Baht)

	<u>Consolidated</u>			
	<u>2016</u>			
	<u>Portion due</u>			
		Over 1 Year		
	<u>Up to 1 year</u>	<u>to 5 Years</u>	<u>Over 5 Years</u>	<u>Total</u>
Gross receivables from finance leases	38,606	68,025	1,688	108,319
<u>Less</u> Unearned interest income				<u>(9,306)</u>
Present value of minimum lease payments				99,013
Allowance for doubtful accounts				<u>(1,919)</u>
Total Finance Lease Receivables - net				<u>97,094</u>

(Million Baht)

	<u>Consolidated</u>			
	<u>2015</u>			
	<u>Portion due</u>			
		Over 1 Year		
	<u>Up to 1 year</u>	<u>to 5 Years</u>	<u>Over 5 Years</u>	<u>Total</u>
Gross receivables from finance leases	37,041	65,583	1,941	104,565
<u>Less</u> Unearned interest income				<u>(9,336)</u>
Present value of minimum lease payments				95,229
Allowance for doubtful accounts				<u>(1,346)</u>
Total Finance Lease Receivables - net				<u>93,883</u>

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11 TROUBLED DEBT RESTRUCTURING

During the years ended 31 December 2016 and 2015, the Bank and its subsidiaries engaged in debt restructuring contracts as follows:

		(Million Baht)							
		<u>Consolidated</u>				<u>The Bank</u>			
		<u>2016</u>		<u>2015</u>		<u>2016</u>		<u>2015</u>	
		Total		Total		Total		Total	
		Outstanding		Outstanding		Outstanding		Outstanding	
		Debt Before		Debt Before		Debt Before		Debt Before	
		<u>Cases</u>	<u>Restructuring</u>	<u>Cases</u>	<u>Restructuring</u>	<u>Cases</u>	<u>Restructuring</u>	<u>Cases</u>	<u>Restructuring</u>
Debt restructuring									
contracts that incurred									
losses		18,291	55,904	22,178	27,878	18,291	55,904	22,178	27,878
Debt restructuring									
contracts that incurred									
no losses		62,888	59,151	48,082	40,970	62,887	59,142	48,082	40,970
Total		<u>81,179</u>	<u>115,055</u>	<u>70,260</u>	<u>68,848</u>	<u>81,178</u>	<u>115,046</u>	<u>70,260</u>	<u>68,848</u>

Losses on debt restructuring contracts for the years ended 31 December 2016 and 2015 were as follows:

											(Million Baht)
<u>Consolidated</u>											
		<u>Outstanding Debt</u>					<u>Transferred Assets</u>			<u>Losses on</u>	
		Before		After						Debt	
<u>Types of Restructuring</u>	<u>Cases</u>		<u>Restructuring</u>		<u>Restructuring</u>		<u>Types</u>	<u>Fair Value</u>		<u>Restructuring</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>		<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Transfers of assets	8,017	16	1,085	27	-	-	Cash, land, and premises	595	16	490	11
Changes of repayment conditions	10,260	22,129	53,908	24,947	53,778	24,947	-	-	-	1,816	1,479
Debt restructuring in various forms	14	33	912	2,904	460	1,300	Cash, land, and premises	429	1,603	146	538
Total	<u>18,291</u>	<u>22,178</u>	<u>55,905</u>	<u>27,878</u>	<u>54,238</u>	<u>26,247</u>		<u>1,024</u>	<u>1,619</u>	<u>2,452</u>	<u>2,028</u>

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The Bank											
Types of Restructuring	Cases		Outstanding Debt				Transferred Assets		Losses on Debt		
			Before		After		Types	Fair Value	Restructuring		
	2016	2015	2016	2015	2016	2015			2016	2015	2016
Transfers of assets	8,017	16	1,085	27	-	-	Cash, land, and premises	595	16	490	11
Changes of repayment conditions	10,260	22,129	53,908	24,947	53,778	24,947	-	-	-	1,816	1,479
Debt restructuring in various forms	14	33	912	2,904	460	1,300	Cash, land, and premises	429	1,603	146	538
Total	18,291	22,178	55,905	27,878	54,238	26,247		1,024	1,619	2,452	2,028

The Bank and its subsidiaries measure the expected recoverable amounts of loans restructured by changing repayment conditions by using the present value of future cash flows discounted by the market rate.

The terms of debt restructuring agreements which were restructured by changing the repayment conditions and restructuring in various other forms and which resulted in losses on debt restructuring during the years ended 31 December 2016 and 2015 are as follows:

(Million Baht)

<u>Consolidated and The Bank</u>								
<u>Terms of debt restructuring agreements</u>	<u>2016</u>				<u>2015</u>			
	<u>Outstanding Debt</u>				<u>Outstanding Debt</u>			
	<u>Cases</u>	<u>Restructuring</u>	<u>Restructuring</u>	<u>End of Year</u>	<u>Cases</u>	<u>Restructuring</u>	<u>Restructuring</u>	<u>End of Year</u>
Less than 5 years	4,441	11,039	10,597	9,361	19,926	8,666	7,314	7,186
5 to 10 years	3,209	27,315	27,175	24,717	1,338	11,922	11,743	11,488
Over 10 years	<u>2,624</u>	<u>16,466</u>	<u>16,466</u>	<u>15,644</u>	<u>898</u>	<u>7,263</u>	<u>7,190</u>	<u>7,057</u>
Total	<u>10,274</u>	<u>54,820</u>	<u>54,238</u>	<u>49,722</u>	<u>22,162</u>	<u>27,851</u>	<u>26,247</u>	<u>25,731</u>



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The Bank and its subsidiaries recognised interest income from debt restructuring for the years ended 31 December 2016 and 2015 as follows:

	(Million Baht)			
	<u>Consolidated</u>		<u>The Bank</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Debt restructuring contracts that incurred losses	2,800	1,410	2,793	1,397

As of 31 December 2016 and 2015, the Bank had commitments to extend additional loans to these borrowers as follows:

	(Million Baht)	
	<u>Consolidated and The Bank</u>	
	<u>2016</u>	<u>2015</u>
Debt restructuring contracts that incurred losses	633	484

The Bank and its subsidiaries had outstanding balances on restructured loans that incurred losses during 2016 and 2015 as follows:

	(Million Baht)	
	<u>Consolidated and The Bank</u>	
	<u>2016</u>	<u>2015</u>
Debt restructuring contracts which were not classified as NPL	48,064	25,050
Debt restructuring contracts which were classified as NPL	<u>1,658</u>	<u>681</u>
Total	<u>49,722</u>	<u>25,731</u>

As of 31 December 2016 and 2015, the Bank and its subsidiaries had outstanding balances on restructured loans that incurred losses as follows:

	(Million Baht)			
	<u>Consolidated</u>		<u>The Bank</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Debt restructuring contracts which were not classified as NPL	55,679	33,564	55,679	33,563
Debt restructuring contracts which were classified as NPL	<u>2,621</u>	<u>1,513</u>	<u>2,601</u>	<u>1,491</u>
Total	<u>58,300</u>	<u>35,077</u>	<u>58,280</u>	<u>35,054</u>

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12 ALLOWANCE FOR DOUBTFUL ACCOUNTS

The movements in the allowance for doubtful accounts during the year were as follows:

(Million Baht)

<u>Consolidated</u>									
<u>2016</u>									
		Special	Sub-		Doubtful	Excess	Allowance	Allowance	
	Pass	Mention	Standard	Doubtful	of Loss	Allowance	Securities	from	Total
							Business	Insurance	
Balance at the beginning									
of the year	5,271	194	5,841	8,211	10,487	30,687	46	164	60,901
Doubtful accounts	765	26	4,418	(298)	13,416	14,276	-	106	32,709
Bad debt written off	-	-	-	-	(9,636)	-	-	-	(9,636)
Others	-	-	-	-	(1,562)	-	-	6	(1,556)
Balance at the end									
of the year	<u>6,036</u>	<u>220</u>	<u>10,259</u>	<u>7,913</u>	<u>12,705</u>	<u>44,963</u>	<u>46</u>	<u>276</u>	<u>82,418</u>

(Million Baht)

<u>Consolidated</u>									
<u>2015</u>									
		Special	Sub-		Doubtful	Excess	Allowance	Allowance	
	Pass	Mention	Standard	Doubtful	of Loss	Allowance	Securities	from	Total
							Business	Insurance	
Balance at the beginning									
of the year	5,360	154	3,359	4,883	11,766	21,751	45	116	47,434
Doubtful accounts	(89)	40	2,482	3,328	9,761	8,936	1	58	24,517
Bad debt written off	-	-	-	-	(10,160)	-	-	-	(10,160)
Others	-	-	-	-	(880)	-	-	(10)	(890)
Balance at the end									
of the year	<u>5,271</u>	<u>194</u>	<u>5,841</u>	<u>8,211</u>	<u>10,487</u>	<u>30,687</u>	<u>46</u>	<u>164</u>	<u>60,901</u>

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(Million Baht)

The Bank							
2016							
	Pass	Special Mention	Sub- Standard	Doubtful	Doubtful of Loss	Excess Allowance	Total
Balance at the beginning of the year	6,194	194	5,821	8,184	9,596	29,146	59,135
Doubtful accounts	766	25	4,378	(319)	12,912	13,963	31,725
Bad debt written off	-	-	-	-	(9,377)	-	(9,377)
Others	-	-	-	-	(1,562)	-	(1,562)
Balance at the end of the year	<u>6,960</u>	<u>219</u>	<u>10,199</u>	<u>7,865</u>	<u>11,569</u>	<u>43,109</u>	<u>79,921</u>

(Million Baht)

The Bank							
2015							
	Pass	Special Mention	Sub- Standard	Doubtful	Doubtful of Loss	Excess Allowance	Total
Balance at the beginning of the year	6,310	153	3,345	4,868	10,971	20,475	46,122
Doubtful accounts	(116)	41	2,476	3,316	9,460	8,671	23,848
Bad debt written off	-	-	-	-	(9,957)	-	(9,957)
Others	-	-	-	-	(878)	-	(878)
Balance at the end of the year	<u>6,194</u>	<u>194</u>	<u>5,821</u>	<u>8,184</u>	<u>9,596</u>	<u>29,146</u>	<u>59,135</u>

### 13 REVALUATION ALLOWANCE FOR DEBT RESTRUCTURING

The movements in the revaluation allowance for debt restructuring during the year were as follows:

(Million Baht)

	Consolidated		The Bank	
	2016	2015	2016	2015
Balance at the beginning of the year	3,416	3,558	3,416	3,558
Increase	1,787	1,994	1,787	1,994
Amortisation to interest income	(1,226)	(599)	(1,226)	(599)
Others	(1,183)	(1,537)	(1,183)	(1,537)
Balance at the end of the year	<u>2,794</u>	<u>3,416</u>	<u>2,794</u>	<u>3,416</u>



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(Million Baht)

<u>Types of Properties Foreclosed</u>	<u>Beginning Balance</u>	<u>The Bank 2016</u>		<u>Ending Balance</u>
		<u>Addition</u>	<u>Disposal</u>	
1. Assets acquired from debt repayment				
1.1 Immovable assets	15,548	4,416	(2,940)	17,024*
1.2 Movable assets	<u>25</u>	<u>-</u>	<u>-</u>	<u>25</u>
Total	15,573	4,416	(2,940)	17,049
2. Others	<u>12</u>	<u>41</u>	<u>-</u>	<u>53</u>
Total properties foreclosed	15,585	4,457	(2,940)	17,102
<u>Less</u> allowances for impairment	<u>(1,720)</u>	<u>(358)</u>	<u>259</u>	<u>(1,819)</u>
Total properties foreclosed - net	<u>13,865</u>	<u>4,099</u>	<u>(2,681)</u>	<u>15,283</u>

\* As of 31 December 2016, the value of immovable assets acquired from debt repayment was appraised by external appraisers and internal appraisers in the amount of Baht 8,975 million and Baht 8,049 million, respectively.

(Million Baht)

<u>Types of Properties Foreclosed</u>	<u>Beginning Balance</u>	<u>The Bank 2015</u>		<u>Ending Balance</u>
		<u>Addition</u>	<u>Disposal</u>	
1. Assets acquired from debt repayment				
1.1 Immovable assets	12,660	5,774	(2,886)	15,548**
1.2 Movable assets	<u>25</u>	<u>-</u>	<u>-</u>	<u>25</u>
Total	12,685	5,774	(2,886)	15,573
2. Others	<u>27</u>	<u>-</u>	<u>(15)</u>	<u>12</u>
Total properties foreclosed	12,712	5,774	(2,901)	15,585
<u>Less</u> allowances for impairment	<u>(1,355)</u>	<u>(604)</u>	<u>239</u>	<u>(1,720)</u>
Total properties foreclosed - net	<u>11,357</u>	<u>5,170</u>	<u>(2,662)</u>	<u>13,865</u>

\*\* As of 31 December 2015, the value of immovable assets acquired from debt repayment was appraised by external appraisers and internal appraisers in the amount of Baht 9,038 million and Baht 6,510 million, respectively.

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15 CLASSIFIED ASSETS

As of 31 December 2016 and 2015, classified assets of the Bank and its subsidiaries, consisted of investments, loans and accrued interest receivables (including financial institutions), properties foreclosed and other assets, were categorised by quality in compliance with the BoT's regulations, taking into account analyses of each loan and appraisal of the financial standing of each borrower, as follows:

(Million Baht)

	<u>Consolidated</u>									
	<u>Investments</u>		<u>Loans and Accrued</u>		<u>Properties Foreclosed</u>		<u>Other Assets</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Pass	-	-	1,850,282	1,745,653	-	-	-	-	1,850,282	1,745,653
Special Mention	-	-	43,055	35,790	-	-	-	-	43,055	35,790
Sub-Standard	-	-	19,110	12,906	-	-	-	-	19,110	12,906
Doubtful	-	-	16,888	16,490	-	-	-	-	16,888	16,490
Doubtful of Loss	<u>917</u>	<u>822</u>	<u>29,267</u>	<u>20,241</u>	<u>579</u>	<u>572</u>	<u>3,707</u>	<u>3,123</u>	<u>34,470</u>	<u>24,758</u>
Total	<u>917</u>	<u>822</u>	<u>1,958,602</u>	<u>1,831,080</u>	<u>579</u>	<u>572</u>	<u>3,707</u>	<u>3,123</u>	<u>1,963,805</u>	<u>1,835,597</u>

(Million Baht)

	<u>The Bank</u>									
	<u>Investments</u>		<u>Loans and Accrued</u>		<u>Properties Foreclosed</u>		<u>Other Assets</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Pass	-	-	1,846,451	1,743,995	-	-	-	-	1,846,451	1,743,995
Special Mention	-	-	40,586	33,162	-	-	-	-	40,586	33,162
Sub-Standard	-	-	18,694	12,500	-	-	-	-	18,694	12,500
Doubtful	-	-	16,562	16,183	-	-	-	-	16,562	16,183
Doubtful of Loss	<u>2,611</u>	<u>2,688</u>	<u>27,935</u>	<u>19,104</u>	<u>518</u>	<u>498</u>	<u>3,707</u>	<u>3,123</u>	<u>34,771</u>	<u>25,413</u>
Total	<u>2,611</u>	<u>2,688</u>	<u>1,950,228</u>	<u>1,824,944</u>	<u>518</u>	<u>498</u>	<u>3,707</u>	<u>3,123</u>	<u>1,957,064</u>	<u>1,831,253</u>

KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
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16 PREMISES AND EQUIPMENT - NET

Changes in premises and equipment for the years ended 31 December 2016 and 2015 are summarised as follows:

(Million Baht)

	Consolidated														
	2016														
	Change of Cost					Change of Accumulated Depreciation					Impairment Allowance			Book Value	
	Beginning	Additions/	Disposal/		Ending	Beginning		Disposal/		Ending	Beginning	Increase/	Ending	Beginning	Ending
	Balance	Transfer in	Transfer out	Others	Balance	Balance	Depreciation	Transfer out	Others	Balance	Balance	(Decrease)	Balance	Balance	Balance
Land															
Cost	4,052	57	(96)	-	4,013	-	-	-	-	-	-	-	-	4,052	4,013
Appraisal increase*	11,006	3,402	(1)	-	14,407	-	-	-	-	-	-	-	-	11,006	14,407
Appraisal decrease*	(296)	99	4	-	(193)	-	-	-	-	-	-	-	-	(296)	(193)
Building															
Cost	17,236	2,196	(132)	-	19,300	7,382	392	(48)	-	7,726	-	-	-	9,854	11,574
Appraisal increase*	9,230	2,224	-	-	11,454	4,273	1,168	-	-	5,441	-	-	-	4,957	6,013
Appraisal decrease*	(249)	11	-	-	(238)	(100)	(6)	-	-	(106)	-	-	-	(149)	(132)
Equipment	37,172	3,718	(2,393)	(8)	38,489	23,257	3,254	(2,253)	(4)	24,254	6	332	338	13,909	13,897
Others	1,951	403	(2,205)	-	149	-	-	-	-	-	-	-	-	1,951	149
Total	80,102	12,110	(4,823)	(8)	87,381	34,812	4,808	(2,301)	(4)	37,315	6	332	338	45,284	49,728

\* Appraisal in year 2016 for the Bank and year 2014 for its subsidiary.

The fair values of premises as of 31 December 2016 and 2015 are categorised as Level 3 in the fair value hierarchy.

The fair values of premises are determined by using market comparison approach and replacement cost approach based on highest and best use assumption. The fair values are appraised by independent appraisers who are qualified as professionals and have appropriate experience.

KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
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(Million Baht)

Consolidated 2015														
	Change of Cost					Change of Accumulated Depreciation					Impairment Allowance		Book Value	
	Beginning	Additions/	Disposal/		Ending	Beginning		Disposal/		Ending	Beginning	Ending	Beginning	Ending
	Balance	Transfer in	Transfer out	Others	Balance	Balance	Depreciation	Transfer out	Others	Balance	Balance	Balance	Balance	Balance
Land														
Cost	3,924	128	-	-	4,052	-	-	-	-	-	-	-	3,924	4,052
Appraisal increase*	11,006	-	-	-	11,006	-	-	-	-	-	-	-	11,006	11,006
Appraisal decrease*	(296)	-	-	-	(296)	-	-	-	-	-	-	-	(296)	(296)
Building														
Cost	16,734	514	(12)	-	17,236	7,029	359	(6)	-	7,382	-	-	9,705	9,854
Appraisal increase*	9,230	-	-	-	9,230	4,121	152	-	-	4,273	-	-	5,109	4,957
Appraisal decrease*	(249)	-	-	-	(249)	(93)	(7)	-	-	(100)	-	-	(156)	(149)
Equipment	35,218	2,947	(1,000)	7	37,172	20,942	3,281	(969)	3	23,257	6	6	14,270	13,909
Others	1,047	1,456	(552)	-	1,951	-	-	-	-	-	-	-	1,047	1,951
Total	76,614	5,045	(1,564)	7	80,102	31,999	3,785	(975)	3	34,812	6	6	44,609	45,284

\* Appraisal in year 2012 for the Bank and year 2014 for its subsidiary.

Depreciation presented in premises and equipment expenses in profit or loss of the Bank and its subsidiaries for the years ended 31 December 2016 and 2015 amounted to Baht 4,808 million and Baht 3,785 million, respectively. As of 31 December 2016 and 2015, premises and equipment with original costs of Baht 13,414 million and Baht 13,543 million, respectively, were fully depreciated but still in use.



KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
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(Million Baht)

The Bank

2016

	Change of Cost					Change of Accumulated Depreciation					Impairment Allowance			Book Value	
	Beginning	Additions/	Disposal/		Ending	Beginning		Disposal/		Ending	Beginning	Increase/	Ending	Beginning	Ending
	Balance	Transfer in	Transfer out	Others	Balance	Balance	Depreciation	Transfer out	Others	Balance	Balance	(Decrease)	Balance	Balance	Balance
Land															
Cost	3,475	2	(96)	-	3,381	-	-	-	-	-	-	-	-	3,475	3,381
Appraisal increase*	7,919	3,402	(1)	-	11,320	-	-	-	-	-	-	-	-	7,919	11,320
Appraisal decrease*	(253)	99	4	-	(150)	-	-	-	-	-	-	-	-	(253)	(150)
Building															
Cost	14,497	2,125	(124)	-	16,498	6,163	339	(42)	-	6,460	-	-	-	8,334	10,038
Appraisal increase*	7,057	2,224	-	-	9,281	3,625	1,158	-	-	4,783	-	-	-	3,432	4,498
Appraisal decrease*	(135)	11	-	-	(124)	(98)	(5)	-	-	(103)	-	-	-	(37)	(21)
Equipment	33,022	2,914	(2,292)	(8)	33,636	20,802	2,746	(2,157)	(4)	21,387	6	332	338	12,214	11,911
Others	<u>1,767</u>	<u>218</u>	<u>(1,910)</u>	<u>-</u>	<u>75</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,767</u>	<u>75</u>
Total	<u>67,349</u>	<u>10,995</u>	<u>(4,419)</u>	<u>(8)</u>	<u>73,917</u>	<u>30,492</u>	<u>4,238</u>	<u>(2,199)</u>	<u>(4)</u>	<u>32,527</u>	<u>6</u>	<u>332</u>	<u>338</u>	<u>36,851</u>	<u>41,052</u>

\* Appraisal in year 2016 for the Bank.

The fair values of premises as of 31 December 2016 and 2015 are categorised as Level 3 in the fair value hierarchy.

The fair values of premises are determined by using market comparison approach and replacement cost approach based on highest and best use assumption. The fair values are appraised by independent appraisers who are qualified as professionals and have appropriate experience.

KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
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(Million Baht)

The Bank														
2015														
	Change of Cost					Change of Accumulated Depreciation					Impairment		Book Value	
	Beginning	Additions/	Disposal/		Ending	Beginning	Disposal/			Ending	Beginning	Ending	Beginning	Ending
	Balance	Transfer in	Transfer out	Others	Balance	Balance	Depreciation	Transfer out	Others	Balance	Balance	Balance	Balance	Balance
Land														
Cost	3,374	101	-	-	3,475	-	-	-	-	-	-	-	3,374	3,475
Appraisal increase*	7,919	-	-	-	7,919	-	-	-	-	-	-	-	7,919	7,919
Appraisal decrease*	(253)	-	-	-	(253)	-	-	-	-	-	-	-	(253)	(253)
Building														
Cost	14,242	259	(4)	-	14,497	5,864	302	(3)	-	6,163	-	-	8,378	8,334
Appraisal increase*	7,057	-	-	-	7,057	3,484	141	-	-	3,625	-	-	3,573	3,432
Appraisal decrease*	(135)	-	-	-	(135)	(93)	(5)	-	-	(98)	-	-	(42)	(37)
Equipment	31,552	2,269	(805)	6	33,022	18,752	2,821	(773)	2	20,802	6	6	12,794	12,214
Others	795	1,064	(92)	-	1,767	-	-	-	-	-	-	-	795	1,767
Total	64,551	3,693	(901)	6	67,349	28,007	3,259	(776)	2	30,492	6	6	36,538	36,851

\* Appraisal in year 2012 for the Bank.

Depreciation presented in premises and equipment expenses in profit or loss of the Bank for the years ended 31 December 2016 and 2015 amounted to Baht 4,238 million and Baht 3,259 million, respectively. As of 31 December 2016 and 2015, premises and equipment with original costs of Baht 11,289 million and Baht 11,697 million, respectively, were fully depreciated but still in use.

During the year, the Bank completed the revaluation of its premises. The appraisal surplus on asset revaluation increased by Baht 4,660 million and the amount was presented in changes in revaluation surplus in other comprehensive income. There was also a reversal of loss on revaluation of premises of Baht 110 million. Such reversal was presented in premises and equipment expenses in profit or loss.

KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
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17 GOODWILL AND OTHER INTANGIBLE ASSETS - NET

Changes in goodwill and other intangible assets for the years ended 31 December 2016 and 2015 are summarised as follows:

(Million Baht)

	<u>Consolidated</u>														
	<u>2016</u>														
	<u>Change of Cost</u>					<u>Change of Accumulated Amortisation</u>					<u>Impairment Allowance</u>			<u>Book Value</u>	
	<u>Beginning</u>	<u>Additions/</u>	<u>Disposal/</u>		<u>Ending</u>	<u>Beginning</u>		<u>Disposal/</u>		<u>Ending</u>	<u>Beginning</u>	<u>Increase/</u>	<u>Ending</u>	<u>Beginning</u>	<u>Ending</u>
	<u>Balance</u>	<u>Transfer in</u>	<u>Transfer out</u>	<u>Others</u>	<u>Balance</u>	<u>Balance</u>	<u>Amortisation</u>	<u>Transfer out</u>	<u>Others</u>	<u>Balance</u>	<u>Balance</u>	<u>(Decrease)</u>	<u>Balance</u>	<u>Balance</u>	<u>Balance</u>
Application software*	34,280	4,846	(3,634)	(32)	35,460	11,579	2,857	(1,122)	(7)	13,307	2,314	(281)	2,033	20,387	20,120
Business purchased	270	-	-	-	270	270	-	-	-	270	-	-	-	-	-
Goodwill	3,824	-	-	-	3,824	-	-	-	-	-	-	-	-	3,824	3,824
Others	<u>26</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>29</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23</u>	<u>26</u>
Total	<u>38,400</u>	<u>4,849</u>	<u>(3,634)</u>	<u>(32)</u>	<u>39,583</u>	<u>11,852</u>	<u>2,857</u>	<u>(1,122)</u>	<u>(7)</u>	<u>13,580</u>	<u>2,314</u>	<u>(281)</u>	<u>2,033</u>	<u>24,234</u>	<u>23,970</u>

KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
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(Million Baht)

	Consolidated														
	2015														
	Change of Cost					Change of Accumulated Amortisation					Impairment Allowance			Book Value	
	Beginning	Additions/	Disposal/		Ending	Beginning		Disposal/		Ending	Beginning		Ending	Beginning	Ending
	Balance	Transfer in	Transfer out	Others	Balance	Balance	Amortisation	Transfer out	Others	Balance	Balance	Increase	Balance	Balance	Balance
Application software*	31,433	9,752	(6,926)	21	34,280	9,365	2,361	(151)	4	11,579	-	2,314	2,314	22,068	20,387
Business purchased	270	-	-	-	270	270	-	-	-	270	-	-	-	-	-
Goodwill	3,789	35	-	-	3,824	-	-	-	-	-	-	-	-	3,789	3,824
Others	27	-	(1)	-	26	2	1	-	-	3	-	-	-	25	23
Total	35,519	9,787	(6,927)	21	38,400	9,637	2,362	(151)	4	11,852	-	2,314	2,314	25,882	24,234

\*As of 31 December 2016 and 2015, the amount under development is Baht 2,266 million and Baht 1,932 million, respectively.

Amortisation presented in others - other operating expenses in profit or loss of the Bank and its subsidiaries for the years ended 31 December 2016 and 2015 amounted to Baht 2,857 million and Baht 2,362 million, respectively. As of 31 December 2016 and 2015, intangible assets with original costs of Baht 3,801 million and Baht 3,174 million, respectively, were fully amortised but still in use.

KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
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(Million Baht)

The Bank														
2016														
	Change of Cost				Change of Accumulated Amortisation					Impairment Allowance			Book Value	
	Beginning	Additions/	Disposal/	Ending	Beginning	Disposal/	Ending	Beginning	Ending	Beginning	Ending	Beginning	Ending	Ending
	Balance	Transfer in	Transfer out	Others	Balance	Balance	Amortisation	Transfer out	Others	Balance	Balance	(Decrease)	Balance	Balance
Application software*	32,803	4,396	(3,579)	(32)	33,588	10,954	2,716	(1,122)	(7)	12,541	2,314	(281)	2,033	19,535
Others	5	-	-	-	5	2	-	-	-	2	-	-	-	3
Total	<u>32,808</u>	<u>4,396</u>	<u>(3,579)</u>	<u>(32)</u>	<u>33,593</u>	<u>10,956</u>	<u>2,716</u>	<u>(1,122)</u>	<u>(7)</u>	<u>12,543</u>	<u>2,314</u>	<u>(281)</u>	<u>2,033</u>	<u>19,538</u>

(Million Baht)

The Bank														
2015														
	Change of Cost				Change of Accumulated Amortisation					Impairment Allowance			Book Value	
	Beginning	Additions/	Disposal/	Ending	Beginning	Disposal/	Ending	Beginning	Ending	Beginning	Ending	Beginning	Ending	Ending
	Balance	Transfer in	Transfer out	Others	Balance	Balance	Amortisation	Transfer out	Others	Balance	Balance	Increase	Balance	Balance
Application software*	30,356	9,309	(6,880)	18	32,803	8,855	2,247	(151)	3	10,954	-	2,314	2,314	21,501
Others	5	-	-	-	5	1	1	-	-	2	-	-	-	4
Total	<u>30,361</u>	<u>9,309</u>	<u>(6,880)</u>	<u>18</u>	<u>32,808</u>	<u>8,856</u>	<u>2,248</u>	<u>(151)</u>	<u>3</u>	<u>10,956</u>	<u>-</u>	<u>2,314</u>	<u>2,314</u>	<u>21,505</u>

\*As of 31 December 2016 and 2015, the amount under development is Baht 1,842 million and Baht 1,656 million, respectively.

Amortisation presented in others - other operating expenses in profit or loss of the Bank for the years ended 31 December 2016 and 2015 amounted to Baht 2,716 million and Baht 2,248 million, respectively. As of 31 December 2016 and 2015, intangible assets with original costs of Baht 3,390 million and Baht 2,832 million, respectively, were fully amortised but still in use.

KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
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18 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred tax assets and liabilities as of 31 December 2016 and 2015 are as follows:

	<u>Consolidated</u>		<u>The Bank</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Deferred tax assets	4,572	5,585	3,835	4,615
Deferred tax liabilities	<u>(1,807)</u>	<u>(1,907)</u>	<u>-</u>	<u>-</u>
Net	<u>2,765</u>	<u>3,678</u>	<u>3,835</u>	<u>4,615</u>

Movements in total deferred tax assets and liabilities during the year were as follows:

	<u>Consolidated</u>			
	<u>Charged / credited to:</u>			
	<u>As of</u>	<u>Other</u>	<u>As of</u>	
	<u>1 January</u>	<u>Profit or loss</u>	<u>comprehensive income</u>	<u>31 December</u>
	<u>2016</u>	<u>(Note 43)</u>	<u>(Note 43)</u>	<u>Others</u>
<b>Deferred tax assets</b>				
Investments	155	(15)	-	-
Investments in subsidiaries and associated companies	381	(34)	-	-
Loans and accrued interest receivables	943	156	-	-
Properties foreclosed	390	7	-	-
Premises and equipment	38	1	-	-
Provisions	5,365	253	(66)	24
Life policy reserve	1,192	276	-	-
Others	<u>1,321</u>	<u>123</u>	<u>(46)</u>	<u>(7)</u>
Total	<u>9,785</u>	<u>767</u>	<u>(112)</u>	<u>17</u>
<b>Deferred tax liabilities</b>				
Investments	1,954	(27)	688	-
Premises and equipment	2,667	(27)	932	-
Others	<u>1,486</u>	<u>23</u>	<u>-</u>	<u>(4)</u>
Total	<u>6,107</u>	<u>(31)</u>	<u>1,620</u>	<u>(4)</u>
Net	<u>3,678</u>	<u>798</u>	<u>(1,732)</u>	<u>21</u>

KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
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(Million Baht)

	Consolidated				
	Charged / credited to:				
	As of		Other		As of
	1 January	Profit or loss	comprehensive		31 December
	2015	(Note 43)	income	Others	2015
		(Note 43)	(Note 43)		
Deferred tax assets					
Investments	154	1	-	-	155
Investments in subsidiaries and associated companies	381	-	-	-	381
Loans and accrued interest receivables	770	173	-	-	943
Properties foreclosed	314	76	-	-	390
Premises and equipment	37	1	-	-	38
Provisions	5,117	168	77	3	5,365
Life policy reserve	975	217	-	-	1,192
Others	1,121	202	(1)	(1)	1,321
Total	8,869	838	76	2	9,785
Deferred tax liabilities					
Investments	2,332	(29)	(349)	-	1,954
Premises and equipment	3,160	(493)	2	(2)	2,667
Others	1,302	188	-	(4)	1,486
Total	6,794	(334)	(347)	(6)	6,107
Net	2,075	1,172	423	8	3,678

KASIKORNBANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
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(Million Baht)

	The Bank			
	Charged / credited to:			
	As of		Other	As of
	1 January	Profit or loss	comprehensive	31 December
	2016	(Note 43)	income	2016
		(Note 43)	(Note 43)	
Deferred tax assets				
Investments	117	(3)	-	114
Investments in subsidiaries and				
associated companies	379	(34)	-	345
Loans and accrued interest receivables	579	7	-	586
Properties foreclosed	344	20	-	364
Provisions	5,224	258	(66)	5,416
Others	<u>580</u>	<u>143</u>	<u>(47)</u>	<u>676</u>
Total	<u>7,223</u>	<u>391</u>	<u>(113)</u>	<u>7,501</u>
Deferred tax liabilities				
Investments	860	(4)	155	1,011
Premises and equipment	<u>1,748</u>	<u>(25)</u>	<u>932</u>	<u>2,655</u>
Total	<u>2,608</u>	<u>(29)</u>	<u>1,087</u>	<u>3,666</u>
Net	<u>4,615</u>	<u>420</u>	<u>(1,200)</u>	<u>3,835</u>



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(Million Baht)

	The Bank			
	Charged / credited to:			
	As of		Other	As of
	1 January	Profit or loss	comprehensive income	31 December
	2015	(Note 43)	(Note 43)	2015
Deferred tax assets				
Investments	129	(12)	-	117
Investments in subsidiaries and associated companies	379	-	-	379
Loans and accrued interest receivables	509	70	-	579
Properties foreclosed	271	73	-	344
Provisions	5,018	151	55	5,224
Others	423	158	(1)	580
Total	6,729	440	54	7,223
Deferred tax liabilities				
Investments	819	1	40	860
Premises and equipment	2,238	(490)	-	1,748
Total	3,057	(489)	40	2,608
Net	3,672	929	14	4,615

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19 DEPOSITS

Deposits were classified as of 31 December 2016 and 2015 as follows:

19.1 Classified by Type of Deposits

(Million Baht)

	<u>Consolidated</u>		<u>The Bank</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current	100,977	94,038	101,241	94,076
Savings	1,285,001	1,142,204	1,288,317	1,145,421
Term				
- Less than 6 months	183,556	204,979	183,561	204,983
- 6 months and less than 1 year	88,594	90,385	88,576	90,385
- 1 year and over 1 year	<u>136,707</u>	<u>173,773</u>	<u>136,745</u>	<u>173,729</u>
Total	<u>1,794,835</u>	<u>1,705,379</u>	<u>1,798,440</u>	<u>1,708,594</u>

19.2 Classified by Currencies and Residency of Depositors

(Million Baht)

	<u>Consolidated</u>					
	<u>2016</u>			<u>2015</u>		
	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
Baht	1,636,097	79,592	1,715,689	1,561,397	76,959	1,638,356
US Dollars	63,515	4,937	68,452	53,278	2,694	55,972
Other currencies	<u>7,494</u>	<u>3,200</u>	<u>10,694</u>	<u>5,775</u>	<u>5,276</u>	<u>11,051</u>
Total	<u>1,707,106</u>	<u>87,729</u>	<u>1,794,835</u>	<u>1,620,450</u>	<u>84,929</u>	<u>1,705,379</u>

(Million Baht)

	<u>The Bank</u>					
	<u>2016</u>			<u>2015</u>		
	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
Baht	1,640,420	79,321	1,719,741	1,565,361	76,446	1,641,807
US Dollars	63,515	4,607	68,122	53,278	2,539	55,817
Other currencies	<u>7,494</u>	<u>3,083</u>	<u>10,577</u>	<u>5,775</u>	<u>5,195</u>	<u>10,970</u>
Total	<u>1,711,429</u>	<u>87,011</u>	<u>1,798,440</u>	<u>1,624,414</u>	<u>84,180</u>	<u>1,708,594</u>

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20 INTERBANK AND MONEY MARKET ITEMS (LIABILITIES)

Interbank and money market items (liabilities) as of 31 December 2016 and 2015 consisted of:

(Million Baht)

	<u>Consolidated</u>					
	<u>2016</u>			<u>2015</u>		
	<u>At call</u>	<u>Term</u>	<u>Total</u>	<u>At call</u>	<u>Term</u>	<u>Total</u>
1. <u>Domestic</u>						
The BoT and FIDF	-	6,820	6,820	-	8,891	8,891
Commercial banks	2,665	121,951	124,616	2,928	42,559	45,487
Specialised financial institutions	339	10,000	10,339	397	-	397
Other financial institutions	<u>4,517</u>	<u>350</u>	<u>4,867</u>	<u>5,012</u>	<u>199</u>	<u>5,211</u>
Total Domestic	<u>7,521</u>	<u>139,121</u>	<u>146,642</u>	<u>8,337</u>	<u>51,649</u>	<u>59,986</u>
2. <u>Foreign</u>						
US Dollars	2,328	6,453	8,781	1,920	1,819	3,739
Japanese Yen	154	3,020	3,174	150	3,635	3,785
Euro	295	-	295	262	-	262
Other currencies	<u>1,160</u>	<u>-</u>	<u>1,160</u>	<u>1,086</u>	<u>2,608</u>	<u>3,694</u>
Total Foreign	<u>3,937</u>	<u>9,473</u>	<u>13,410</u>	<u>3,418</u>	<u>8,062</u>	<u>11,480</u>
Total Domestic and Foreign	<u>11,458</u>	<u>148,594</u>	<u>160,052</u>	<u>11,755</u>	<u>59,711</u>	<u>71,466</u>

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(Million Baht)

	<u>The Bank</u>					
	<u>2016</u>			<u>2015</u>		
	<u>At call</u>	<u>Term</u>	<u>Total</u>	<u>At call</u>	<u>Term</u>	<u>Total</u>
<b>1. Domestic</b>						
The BoT and FIDF	-	6,820	6,820	-	8,891	8,891
Commercial banks	2,665	118,549	121,214	2,928	42,212	45,140
Specialised financial institutions	339	10,000	10,339	397	-	397
Other financial institutions	<u>8,687</u>	<u>8,776</u>	<u>17,463</u>	<u>15,140</u>	<u>209</u>	<u>15,349</u>
Total Domestic	<u>11,691</u>	<u>144,145</u>	<u>155,836</u>	<u>18,465</u>	<u>51,312</u>	<u>69,777</u>
<b>2. Foreign</b>						
US Dollars	2,328	6,453	8,781	2,396	1,819	4,215
Japanese Yen	155	3,020	3,175	150	3,635	3,785
Euro	295	-	295	262	-	262
Other currencies	<u>1,421</u>	<u>-</u>	<u>1,421</u>	<u>1,198</u>	<u>2,608</u>	<u>3,806</u>
Total Foreign	<u>4,199</u>	<u>9,473</u>	<u>13,672</u>	<u>4,006</u>	<u>8,062</u>	<u>12,068</u>
Total Domestic and Foreign	<u>15,890</u>	<u>153,618</u>	<u>169,508</u>	<u>22,471</u>	<u>59,374</u>	<u>81,845</u>

**21 FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS**

Financial liabilities designated at fair value through profit or loss as of 31 December 2016 and 2015 consisted of:

(Million Baht)

	<u>Consolidated and The Bank</u>	
	<u>2016</u>	<u>2015</u>
Borrowing	-	39

Proportion of transactions classified by the contract parties based on the amount of the contract as of 31 December 2016 and 2015 consisted of:

	<u>Consolidated and The Bank</u>	
	<u>2016</u>	<u>2015</u>
<u>Contract parties</u>	<u>Proportion (%)</u>	
Outsiders	-	100

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22 DEBTS ISSUED AND BORROWINGS

Debts issued and borrowings as of 31 December 2016 and 2015 consisted of:

(Million Baht)											
	<u>Currency</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Consolidated</u>							
				<u>2016</u>			<u>2015</u>				
				<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
Subordinated Debentures	US Dollar	-	-	-	-	-	2016	8.25%	-	6,613	6,613
Subordinated Debentures - KASIKORNBANK PCL											
No.1/2012	Baht	2022	4.50%	22,000	-	22,000	2022	4.50%	22,000	-	22,000
Unsubordinated and unsecured debentures	US Dollar		2.375%-3.50%					3.00%-3.50%			
	US Dollar	2018-2022	Float*	-	45,663	45,663	2018-2021	Float*	-	31,572	31,572
Subordinated Instruments - KASIKORNBANK PCL											
No.1/2014**	Baht	2025	5.00%	14,000	-	14,000	2025	5.00%	14,000	-	14,000
No.1/2015**	Baht	2026	3.95%	6,500	-	6,500	2026	3.95%	6,500	-	6,500
No.1/2016**	Baht	2027	3.50%	7,500	-	7,500	-	-	-	-	-
Debt issued and borrowings with embedded derivative that are not designated at fair value through profit or loss	Baht	2017-2024	Variable***	468	-	468	2016-2024	Variable***	496	-	496
Bills of Exchange	Baht	-	-	-	-	-	2016	0.70%-1.52%	4,309	-	4,309
Others	Baht	2017-2021	0.00%-0.50%	<u>245</u>	<u>-</u>	<u>245</u>	2016-2020	0.00%-0.50%	<u>88</u>	<u>-</u>	<u>88</u>
Total				<u>50,713</u>	<u>45,663</u>	<u>96,376</u>			<u>47,393</u>	<u>38,185</u>	<u>85,578</u>

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(Million Baht)

	<u>Currency</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>2016</u>			<u>2015</u>			<u>Foreign</u>	<u>Total</u>
				<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Domestic</u>		
Subordinated Debentures	US Dollar	-	-	-	-	-	2016	8.25%	-	6,613	6,613
Subordinated Debentures - KASIKORNBANK PCL											
No.1/2012	Baht	2022	4.50%	22,000	-	22,000	2022	4.50%	22,000	-	22,000
Unsubordinated and unsecured debentures	US Dollar	2018-2022	2.375%-3.50% Float*	-	45,663	45,663	2018-2021	3.00%-3.50% Float*	-	31,572	31,572
Subordinated Instruments - KASIKORNBANK PCL											
No.1/2014**	Baht	2025	5.00%	14,000	-	14,000	2025	5.00%	14,000	-	14,000
No.1/2015**	Baht	2026	3.95%	6,500	-	6,500	2026	3.95%	6,500	-	6,500
No.1/2016**	Baht	2027	3.50%	7,500	-	7,500	-	-	-	-	-
Debt issued and borrowings with embedded derivative that are not designated at fair value through profit or loss	Baht	2020-2024	Variable***	300	-	300	2020-2024	Variable***	300	-	300
Bills of Exchange	Baht	-	-	-	-	-	2016	0.70%-1.52%	4,309	-	4,309
Others	Baht	2017-2021	0.00%-0.50%	245	-	245	2016-2020	0.00%-0.50%	88	-	88
Total				<u>50,545</u>	<u>45,663</u>	<u>96,208</u>			<u>47,197</u>	<u>38,185</u>	<u>85,382</u>

\* 3-Month London Interbank Offered Rate (LIBOR) plus 100 bps.

\*\* Qualified as Tier 2 Capital in accordance with Basel III.

\*\*\* Variable rates linked to reference interest rates and average price of marketable equity securities.

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23 EMPLOYEE RETIREMENT BENEFITS

Employee retirement benefits as of 31 December 2016 and 2015 are as follows:

	<u>Consolidated</u>		<u>The Bank</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Balance at the beginning of the year	19,900	18,229	19,087	17,642
Current service cost	1,614	1,607	1,438	1,532
Interest cost	648	767	617	740
Actuarial (gain) loss from updated assumptions				
- Financial assumptions	(250)	391	(257)	245
- Demographic assumptions	(79)	29	(75)	28
Benefits paid	(1,421)	(1,123)	(1,406)	(1,100)
Other	<u>(58)</u>	<u>-</u>	<u>(56)</u>	<u>-</u>
Balance at the end of the year	<u>20,354</u>	<u>19,900</u>	<u>19,348</u>	<u>19,087</u>

Actuarial gain (loss) from updated assumptions recognised in other comprehensive income for the years ended 31 December 2016 and 2015 consisted of:

	<u>Consolidated</u>		<u>The Bank</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Included in retained earnings:				
At 1 January	(6,012)	(5,592)	(5,783)	(5,510)
Recognised during the year	<u>329</u>	<u>(420)</u>	<u>332</u>	<u>(273)</u>
At 31 December	<u>(5,683)</u>	<u>(6,012)</u>	<u>(5,451)</u>	<u>(5,783)</u>

Principle actuarial assumptions as of 31 December 2016 and 2015 consisted of:

	<u>Consolidated and The Bank</u>	
	<u>2016</u>	<u>2015</u>
Discount rate	3.1% – 3.5%	3.1% – 3.5%
Average salary increase	4% – 15%	4% – 15%
Average turnover	0% – 25%	0% – 25%
Normal retirement age	55 – 60 years	55 – 60 years

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A sensitivity analysis for each significant actuarial assumption as of 31 December 2016 and 2015 consisted of:

	(Million Baht)	
	<u>Consolidated</u>	
	<u>2016</u>	<u>2015</u>
<u>Effect on defined benefit obligations</u>		
+1% on discount rate	(1,960)	(2,295)
-1% on discount rate	2,327	2,756
+1% on salary increase	2,164	2,588
-1% on salary increase	(1,871)	(2,212)

	(Million Baht)	
	<u>The Bank</u>	
	<u>2016</u>	<u>2015</u>
<u>Effect on defined benefit obligations</u>		
+1% on discount rate	(1,848)	(1,846)
-1% on discount rate	2,195	2,190
+1% on salary increase	2,037	2,033
-1% on salary increase	(1,762)	(1,759)

The historical information of long-term employee benefits is as follows:

	(Million Baht)				
	<u>Consolidated</u>				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Present value of long-term employee benefit obligations	20,354	19,900	18,229	14,516	13,831

	(Million Baht)				
	<u>The Bank</u>				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Present value of long-term employee benefit obligations	19,348	19,087	17,642	13,991	13,353



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24 INSURANCE CONTRACT LIABILITIES

Insurance contract liabilities as of 31 December 2016 and 2015 consisted of:

	(Million Baht)	
	<u>Consolidated</u>	
	<u>2016</u>	<u>2015</u>
Long-term technical reserves	302,004	247,900
Others	<u>3,820</u>	<u>3,547</u>
Total	<u>305,824</u>	<u>251,447</u>

Long-term technical reserves

	(Million Baht)
	<u>Consolidated</u>
	<u>31 December 2016</u>
Balance at the beginning of the year	247,900
Reserve increase from new and inforce policies in the year	76,594
Reserve released for benefits payment, lapse and cancellation in the year	<u>(22,490)</u>
Balance at the end of the year	<u>302,004</u>

25 SHARE CAPITAL AND EARNINGS PER SHARE

The calculation of the consolidated and the Bank basic earnings per share for the year ended 31 December 2016 was based on profit attributable to ordinary shareholders of Baht 40,174 million and Baht 35,514 million, respectively (Year 2015: Baht 39,474 million and Baht 34,401 million, respectively) and the weighted average number of ordinary and paid-up shares outstanding during the year ended 31 December 2016 of 2,393,260,193 shares (Year 2015: 2,393,260,193 shares).

26 LEGAL RESERVE

Section 116 of the Public Companies Act B.E. 2535 requires that the Bank shall allocate not less than 5 percent of its annual net profit, less any accumulated losses brought forward, to a reserve account ("legal reserve"), until this account reaches an amount not less than 10 percent of the registered authorised capital. In addition, the provisions of the Civil and Commercial Code of Thailand require that subsidiaries shall allocate not less than 5 percent of their annual net profit each time a dividend is declared, to a reserve account ("legal reserve") until the reserve reaches 10 percent of authorised share capital. The legal reserve is not available for dividend distribution.

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27 DIVIDEND PAYMENTS

On 25 August 2016, the Board of Directors Meeting of the Bank approved to pay an interim dividend from the first six-month operating results of 2016 at the rate of Baht 0.50 per share, totaling Baht 1,197 million, which was paid on 23 September 2016.

On 30 March 2016, the Annual General Meeting of Shareholders of the Bank approved to pay a dividend from the operating results of 2015 at the rate of Baht 4.00 per share, totaling Baht 9,573 million. The interim dividend was paid at the rate of Baht 0.50 per share, totaling Baht 1,197 million, on 25 September 2015 and the remaining dividend was paid at the rate of Baht 3.50 per share, totaling Baht 8,376 million, on 27 April 2016.

On 27 August 2015, the Board of Directors Meeting of the Bank approved to pay an interim dividend from the first six-month operating results of 2015 at the rate of Baht 0.50 per share, totaling Baht 1,197 million, which was paid on 25 September 2015.

On 2 April 2015, the Annual General Meeting of Shareholders of the Bank approved to pay a dividend from the operating results of 2014 at the rate of Baht 4.00 per share, totaling Baht 9,573 million. The interim dividend was paid at the rate of Baht 0.50 per share, totaling Baht 1,197 million, on 26 September 2014 and the remaining dividend was paid at the rate of Baht 3.50 per share, totaling Baht 8,376 million, on 30 April 2015.

28 ASSETS PLEDGED AS COLLATERAL

Assets pledged as collateral as of 31 December 2016 and 2015 consisted of:

	<u>Consolidated</u>		<u>The Bank</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Deposits	10,579	14,231	9,793	13,861
Government bonds	173,665	71,630	98,655	17,897
State enterprise bonds	<u>48</u>	<u>48</u>	<u>48</u>	<u>48</u>
Total	<u>184,292</u>	<u>85,909</u>	<u>108,496</u>	<u>31,806</u>

(Million Baht)

The Bank has pledged these assets as collateral for derivatives, for electricity consumption, for court collateral and for repurchase agreements.

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29 CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities and commitments as of 31 December 2016 and 2015 consisted of:

			(Million Baht)	
	<u>Consolidated</u>		<u>The Bank</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Avals to bills	13,460	9,210	13,460	9,210
Guarantees of loans	10,946	11,246	10,946	11,246
Liability under unmatured import bills	26,173	15,721	26,173	15,721
Letters of credit	28,112	26,604	28,441	26,604
Other contingencies				
- Guarantees of selling instruments or securities	-	500	-	500
- Unused credit line of overdraft	239,651	236,400	239,960	236,708
- Other guarantees	305,150	236,767	305,154	236,767
- Others*	<u>45,419</u>	<u>52,117</u>	<u>45,433</u>	<u>50,302</u>
Total	<u>668,911</u>	<u>588,565</u>	<u>669,567</u>	<u>587,058</u>

\*Including items contracted but not provided.

Under normal business operations, the Bank is a defendant in various litigations. These include cases of wrongful acts brought against the Bank, with total claims amounting to Baht 2,062 million and Baht 7,488 million as of 31 December 2016 and 2015, respectively. The Management believes that any liability resulting from these litigations will not be material to the Bank's financial position or on the results of its operations.

As of 31 December 2016 and 2015, Muang Thai Life Assurance Public Company Limited has been sued by insurer, with claims amounting to approximately Baht 53 million and Baht 174 million, respectively. The Management believes that any liability resulting from this litigation will not be material to the consolidated financial statements.

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30 RELATED PARTY TRANSACTIONS AND BALANCES

Relationships between the Bank and related persons or entities consisted of subsidiaries, associated companies, key management personnel<sup>(1)</sup>, any parties related to key management personnel and the entities of which key management personnel and any parties related have control and significant influence.

Arm's length transactions occurring between the Bank and related persons or entities are fairly charged at market price as normal business or the price as stipulated in the agreement.

Related party transactions and balances are as follows:

30.1 Assets, liabilities and contingencies between the Bank and related persons or entities as of 31 December 2016 and 2015 summarised as follows:

	<u>Consolidated</u>		<u>The Bank</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<u>Interbank and Money Market Items (Assets)</u>				
Subsidiaries	-	-	1,165	911
<u>Loans (Including financial institutions)</u>				
Subsidiaries				
- KASIKORN LEASING CO., LTD.	-	-	85,357	84,756
- Others	-	-	13,019	11,947
Other Related Entities	6,773	13,978	6,773	13,978
Other Related Persons	175	107	172	104
<u>Other Assets</u>				
Subsidiaries	-	-	1,079	1,111
Associated Company	37	40	37	40
<u>Deposits (Including financial institutions)</u>				
Subsidiaries	-	-	19,716	18,113
Associated Company	69	35	69	35
Other Related Entities	53,159	48,094	53,159	48,094
Other Related Persons	14,548	4,792	14,533	4,778
<u>Other Liabilities</u>				
Subsidiaries	-	-	1,256	412
Associated Company	17	11	17	11
Other Related Entities	-	89	-	89

<sup>(1)</sup> Key management means director, management who holds the title of at least First Senior Vice President including Department Head-Financial Accounting Management Department and Department Head-Financial Planning Department.

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	(Million Baht)			
	<u>Consolidated</u>		<u>The Bank</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<u>Contingencies</u>				
Subsidiaries	-	-	1,530	1,355
Other Related Entities	17,758	14,045	17,758	14,045
Other Related Persons	2	2	2	2
<u>Derivatives (notional amount)</u>				
Subsidiaries	-	-	7,752	7,752
Other Related Entities	22,326	10,528	22,326	10,528

Certain subsidiaries and associated companies have entered into 1-2 year building lease and service agreements with the Bank. Rentals are charged at cost plus an increment for additional administration and maintenance expenditures incurred. As of 31 December 2016 and 2015, the Bank and its related parties have rental agreements with remaining tenures amounting to Baht 59 million and Baht 40 million, respectively.

The Bank have entered into an Information Technology service agreement with Kasikorn Business-Technology Group. As of 31 December 2016 and 2015, the Bank has commitment to pay total service fees amounting to Baht 1,364 million and Baht 1,146 million, respectively.

30.2 Revenue and expenses between the Bank and related persons or entities for the years ended 31 December 2016 and 2015 is summarised as follows:

	(Million Baht)			
	<u>Consolidated</u>		<u>The Bank</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<u>Interest income</u>				
Subsidiaries	-	-	2,807	3,230
<u>Other income</u>				
Subsidiaries	-	-	17,166	17,717
Associated Company	74	59	74	59
<u>Interest expenses</u>				
Subsidiaries	-	-	146	132
<u>Other expenses</u>				
Subsidiaries	-	-	5,668	4,172
Associated Company	255	201	255	201

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The Bank has entered into a staff secondment agreement with KASIKORN SECURITIES PCL, commencing from January 2006. The agreement shall be terminated at any time by the Bank giving notice 60 days prior to the termination date. The Bank is responsible for salaries, welfare and other benefits and any liabilities that arise or may arise from the actions of the employees.

For the years ended 31 December 2016 and 2015, the Bank incurred expenses amounting to Baht 664 million and Baht 520 million, respectively, presented as personnel expenses in profit or loss.

30.3 Key management personnel<sup>(1)</sup> compensation

	<u>Consolidated</u>		<u>The Bank</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Short-term employee benefits	1,452	1,394	798	850
Post-employment benefits	<u>80</u>	<u>74</u>	<u>58</u>	<u>58</u>
Total	<u>1,532</u>	<u>1,468</u>	<u>856</u>	<u>908</u>

<sup>(1)</sup> Key management means director, management who holds the title of at least First Senior Vice President including Department Head-Financial Accounting Management Department and Department Head-Financial Planning Department.

31 BENEFITS OF DIRECTORS AND EXECUTIVES

The Bank and its subsidiaries have not paid other benefits to directors and executives except for the benefits that are normally paid such as directors' fee, directors' bonus (if any), executives' salary and bonus (if any).

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32 LONG-TERM AGREEMENTS

32.1 Operating Lease

The Bank and its subsidiaries have entered into land/building lease agreements for offices and branches and vehicle lease agreements. The Bank and its subsidiaries were committed to pay future rentals, which are summarised as follows:

		(Million Baht)	
		<u>Consolidated</u>	<u>The Bank</u>
<u>Types of Lease Agreement</u>	<u>Remaining Period</u>	<u>2016</u>	<u>2016</u>
Land/building lease agreements	1 January 2017 – 31 December 2042	2,112	2,019
Vehicle lease agreements	1 January 2017 – 15 December 2021	1,139	1,004
Others	1 January 2017 – 24 October 2020	<u>50</u>	<u>-</u>
Total		<u>3,301</u>	<u>3,023</u>

		(Million Baht)	
		<u>Consolidated</u>	<u>The Bank</u>
<u>Types of Lease Agreement</u>	<u>Remaining Period</u>	<u>2015</u>	<u>2015</u>
Land/building lease agreements	1 January 2016 – 31 December 2042	2,427	2,374
Vehicle lease agreements	1 January 2016 – 3 December 2020	1,250	1,128
Others	1 January 2016 – 18 November 2019	<u>47</u>	<u>-</u>
Total		<u>3,724</u>	<u>3,502</u>

32.2 Service Agreement

The Bank and its subsidiaries entered into an Information Technology Service, under which the service agreement will be provided until 31 August 2019, The Bank and its subsidiaries were committed to pay total service fees, which are summarised as follows:

		(Million Baht)	
		<u>Consolidated</u>	<u>The Bank</u>
		<u>2016</u>	<u>2015</u>
Contracted but not provided for		1,554	1,437
			<u>2,887</u>
			<u>1,434</u>

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**33 EVENTS AFTER THE REPORTING PERIOD**

On 19 December 2016, the Bank of Thailand has granted an approval for the Bank to redeem the whole amount of the Subordinated Debentures of KASIKORNBANK Public Company Limited No.1/2012 due 2022 with aggregate principal amount of Baht 22,000 million prior to the maturity date. Therefore, the Bank would like to exercise the right to redeem the debenture on 15 February 2017.

**34 THAI FINANCIAL REPORTING STANDARDS (TFRS) NOT YET ADOPTED**

The Bank and its subsidiaries have not adopted the following revised TFRS that have been issued as of the reporting date but is not yet effective. The revised TFRS that are applicable to the Bank and its subsidiaries, which becomes effective for the financial periods beginning on or after 1 January 2017 are as follows :

TFRS	Topic	Year Effective
FAP announcement no. 5/2559	Accounting Guidance for derecognition of financial assets and financial liabilities	2017
TAS 1 (revised 2016)	Presentation of Financial Statements	2017
TAS 7 (revised 2016)	Statement of Cash Flows	2017
TAS 8 (revised 2016)	Accounting Policies, Changes in Accounting Estimates and Errors	2017
TAS 10 (revised 2016)	Events after the Reporting Period	2017
TAS 12 (revised 2016)	Income Taxes	2017
TAS 16 (revised 2016)	Property, Plant and Equipment	2017
TAS 17 (revised 2016)	Leases	2017
TAS 18 (revised 2016)	Revenue	2017
TAS 19 (revised 2016)	Employee Benefits	2017
TAS 20 (revised 2016)	Accounting for Government Grants and Disclosure of Government Assistance	2017
TAS 21 (revised 2016)	The Effects of Changes in Foreign Exchange Rates	2017
TAS 24 (revised 2016)	Related Party Disclosures	2017
TAS 27 (revised 2016)	Separate Financial Statements	2017
TAS 28 (revised 2016)	Investment in Associates and Joint Ventures	2017
TAS 33 (revised 2016)	Earnings per Share	2017
TAS 34 (revised 2016)	Interim Financial Reporting	2017
TAS 36 (revised 2016)	Impairment of Assets	2017
TAS 37 (revised 2016)	Provisions, Contingent Liabilities and Contingent Assets	2017
TAS 38 (revised 2016)	Intangible Assets	2017



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TFRS	Topic	Year Effective
TAS 40 (revised 2016)	Investment Property	2017
TFRS 3 (revised 2016)	Business Combinations	2017
TFRS 4 (revised 2016)	Insurance Contracts	2017
TFRS 5 (revised 2016)	Non-current Assets Held for Sale and Discontinued Operations	2017
TFRS 8 (revised 2016)	Operating Segment	2017
TFRS 10 (revised 2016)	Consolidated Financial Statements	2017
TFRS 11 (revised 2016)	Joint Arrangement	2017
TFRS 12 (revised 2016)	Disclosure of Interests in Other Entities	2017
TFRS 13 (revised 2016)	Fair Value Measurement	2017
TSIC 15 (revised 2016)	Operating Leases – Incentives	2017
TSIC 27 (revised 2016)	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	2017
TSIC 32 (revised 2016)	Intangible Assets-Web Site Costs	2017
TFRIC 1 (revised 2016)	Changes in Existing Decommissioning, Restoration and Similar Liabilities	2017
TFRIC 4 (revised 2016)	Determining whether an Arrangement contains a Lease	2017
TFRIC 10 (revised 2016)	Interim Financial Reporting and Impairment	2017
TFRIC 13 (revised 2016)	Customer Loyalty Programmes	2017
TFRIC 18 (revised 2016)	Transfers of Assets from Customer	2017
TAS 104 (revised 2016)	Accounting for Troubled Debt Restructuring	2017
TAS 105 (revised 2016)	Accounting for Investments in Debt and Equity Securities	2017
TAS 107 (revised 2016)	Financial Instruments Disclosure and Presentation	2017

The Bank and its subsidiaries expect to adopt these revised TFRS in accordance with the FAP's announcement. The Bank and its subsidiaries have made a preliminary assessment of the impact on the consolidated and the Bank's financial statements and expect that there will be no material impact in the first adoption period of initial application.

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35 SEGMENT INFORMATION

35.1 Information about reportable segments

The Bank and its subsidiaries ("the Group") has identified 4 main business groups for management reporting purposes. The business groups offer different customers different products and services, and the groups' performance is measured based on segment operating profit before impairment loss on loans and debt securities and income tax expense.

**Corporate Business**

The Group's Corporate Business Customers include registered companies and certain private individual business customers, government agencies, state enterprises, and financial institutions etc. The Group provides a variety of financial products and services to these customers such as Long Term Loans, Working Capital, Letter of Indemnity, Trade Finance Solutions, Syndicated Loans, Cash Management Solutions, and Value Chain Solutions.

**Retail Business**

The Group's Retail Business comprises individual customers who use the Group's products and services such as Deposit Account, Debit Card, Credit Card, Personal Loan, Housing Loan, Investment Product and Financial Advisory Services, and Transactional Banking Services.

**Treasury and Capital Markets Business**

The Treasury and Capital Markets Business comprises the Group's treasury and capital markets business with activities mainly including funding, centralised risk management, investing in liquid assets, and foreign currency exchange services. It also supervises the Group's business in overseas countries.

**Muang Thai Group Holding Business**

Muang Thai Group Holding Business includes a group of companies that operates insurance and brokerage businesses.

Others represent other items which are not directly attributable to the main business groups.

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(Million Baht)

<u>Consolidated</u>							
<u>For the Year Ended 31 December 2016</u>							
	Treasury and		Muang Thai				
	Corporate	Retail	Capital Markets	Group Holding			
	<u>Business</u>	<u>Business</u>	<u>Business</u>	<u>Business</u>	<u>Others</u>	<u>Elimination</u>	<u>Total</u>
Interest income - net	43,706	28,801	6,024	12,667	(1,238)	(282)	89,678
Non-interest income	<u>22,529</u>	<u>32,952</u>	<u>2,774</u>	<u>3,987<sup>(1)</sup></u>	<u>11,666</u>	<u>(10,183)</u>	<u>63,725</u>
Total operating income - net	66,235	61,753	8,798	16,654	10,428	(10,465)	153,403
Total other operating expenses	<u>22,499</u>	<u>30,990</u>	<u>2,084</u>	<u>4,885</u>	<u>8,852</u>	<u>(5,456)</u>	<u>63,854</u>
Operating profit before impairment							
loss on loans and debt securities							
and income tax expense	43,736	30,763	6,714	11,769	1,576	(5,009)	89,549
Impairment loss on loans and debt							
securities							<u>33,753</u>
Operating profit before income tax							
expense							<u>55,796</u>

(Million Baht)

<u>Consolidated</u>							
<u>For the Year Ended 31 December 2015</u>							
	Treasury and		Muang Thai				
	Corporate	Retail	Capital Markets	Group Holding			
	<u>Business</u>	<u>Business</u>	<u>Business</u>	<u>Business</u>	<u>Others</u>	<u>Elimination</u>	<u>Total</u>
Interest income - net	41,807	25,483	6,535	10,775	697	(285)	85,012
Non-interest income	<u>21,774</u>	<u>32,404</u>	<u>1,488</u>	<u>4,484<sup>(1)</sup></u>	<u>10,331</u>	<u>(7,978)</u>	<u>62,503</u>
Total operating income - net	63,581	57,887	8,023	15,259	11,028	(8,263)	147,515
Total other operating expenses	<u>22,531</u>	<u>31,719</u>	<u>2,028</u>	<u>4,868</u>	<u>10,112*</u>	<u>(4,602)</u>	<u>66,656</u>
Operating profit before impairment							
loss on loans and debt securities							
and income tax expense	41,050	26,168	5,995	10,391	916	(3,661)	80,859
Impairment loss on loans and debt							
securities							<u>26,377</u>
Operating profit before income tax							
expense							<u>54,482</u>

\* Including impairment on application software amounting to Baht 2,314 million.

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(Million Baht)

<u>Consolidated</u>							
<u>31 December 2016</u>							
	Corporate	Retail	Treasury and Capital Markets	Muang Thai Group Holding	Others	Elimination	Total
	<u>Business</u>	<u>Business</u>	<u>Business</u>	<u>Business</u>			
Reportable segment - Loans <sup>(2)</sup>	1,169,584	428,680	8,447	15,357	173,885	(98,372)	1,697,581
Unallocated assets							<u>1,148,287</u>
Total assets							<u>2,845,868</u>
Deposits and bills of exchange <sup>(3)</sup>	561,417	1,226,933	10,484	-	325	(4,324)	1,794,835

(Million Baht)

<u>Consolidated</u>							
<u>31 December 2015</u>							
	Corporate	Retail	Treasury and Capital Markets	Muang Thai Group Holding	Others	Elimination	Total
	<u>Business</u>	<u>Business</u>	<u>Business</u>	<u>Business</u>			
Reportable segment - Loans <sup>(2)</sup>	1,085,646	422,400	4,825	13,705	179,953	(96,642)	1,609,887
Unallocated assets							<u>945,418</u>
Total assets							<u>2,555,305</u>
Deposits and bills of exchange <sup>(3)</sup>	524,957	1,178,967	9,622	-	106	(3,964)	1,709,688

<sup>(1)</sup> Net of underwriting expenses

<sup>(2)</sup> Loans = Loans to customers less deferred revenue

<sup>(3)</sup> Excluding bills of exchange with embedded derivative

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35.2 Information about geographical areas

(Million Baht)

<u>Consolidated</u>				
<u>For the Year Ended 31 December 2016</u>				
	<u>Domestic</u>	<u>Overseas</u>	<u>Elimination</u>	<u>Total</u>
Total operating income - net	152,535 <sup>(1)</sup>	870	(2)	153,403
Total other operating expenses	63,090	766	(2)	63,854
Operating profit (loss) before income tax expense	55,550	246	-	55,796
Income tax expense	10,497	(41)	-	10,456

(Million Baht)

<u>Consolidated</u>				
<u>For the Year Ended 31 December 2015</u>				
	<u>Domestic</u>	<u>Overseas</u>	<u>Elimination</u>	<u>Total</u>
Total operating income - net	146,764 <sup>(1)</sup>	750	1	147,515
Total other operating expenses	65,780	875	1	66,656
Operating profit (loss) before income tax expense	55,049	(567)	-	54,482
Income tax expense	10,471	56	-	10,527

(Million Baht)

<u>Consolidated</u>				
<u>31 December 2016</u>				
	<u>Domestic</u>	<u>Overseas</u>	<u>Elimination</u>	<u>Total</u>
Non - current assets <sup>(2)</sup>	91,345	1,193	-	92,538

(Million Baht)

<u>Consolidated</u>				
<u>31 December 2015</u>				
	<u>Domestic</u>	<u>Overseas</u>	<u>Elimination</u>	<u>Total</u>
Non - current assets <sup>(2)</sup>	86,233	722	-	86,955

<sup>(1)</sup> Net of underwriting expenses

<sup>(2)</sup> Non - current assets include investments in associates, properties foreclosed – net, premises and equipment – net, goodwill and other intangible assets – net, leasehold – net and investment property.

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36 INTEREST INCOME

Interest income for the years ended 31 December 2016 and 2015 consisted of:

	<u>Consolidated</u>		<u>The Bank</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Interbank and money market items	5,892	3,897	5,587	3,455
Investments and trading transactions	258	319	258	319
Investments in debt securities	14,774	14,854	3,461	5,344
Loans	89,923	90,160	91,203	91,990
Hire purchase and financial lease	5,014	5,118	-	-
Others	<u>12</u>	<u>5</u>	<u>-</u>	<u>-</u>
Total	<u>115,873</u>	<u>114,353</u>	<u>100,509</u>	<u>101,108</u>

37 INTEREST EXPENSES

Interest expenses for the years ended 31 December 2016 and 2015 consisted of:

	<u>Consolidated</u>		<u>The Bank</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Deposits	12,682	16,880	12,676	16,874
Interbank and money market items	1,979	1,517	2,048	1,514
Contributions to Financial Institutions Development				
Fund and Deposit Protection Agency	7,894	7,529	7,894	7,529
Debts issued				
- Subordinated debentures	2,412	2,252	2,412	2,252
- Others	1,111	1,061	1,108	1,059
Others	<u>117</u>	<u>102</u>	<u>-</u>	<u>-</u>
Total	<u>26,195</u>	<u>29,341</u>	<u>26,138</u>	<u>29,228</u>

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38 FEES AND SERVICE INCOME - NET

Fees and service income - net for the years ended 31 December 2016 and 2015 consisted of:

	<u>Consolidated</u>		<u>The Bank</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Fees and service income				
Acceptances, aval and guarantees	3,450	3,107	3,450	3,107
Others	<u>45,181</u>	<u>43,306</u>	<u>44,643</u>	<u>43,954</u>
Total Fees and service income	48,631	46,413	48,093	47,061
Fees and service expenses	<u>9,688</u>	<u>8,887</u>	<u>9,480</u>	<u>8,844</u>
Fees and service income - net	<u>38,943</u>	<u>37,526</u>	<u>38,613</u>	<u>38,217</u>

39 GAIN ON TRADING AND FOREIGN EXCHANGE TRANSACTIONS

Gain on trading and foreign exchange transactions for the years ended 31 December 2016 and 2015 consisted of:

	<u>Consolidated</u>		<u>The Bank</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Gain (loss) on trading and foreign exchange transactions				
- Foreign currencies and foreign currency related derivatives	7,903	7,374	7,762	7,791
- Interest rate related derivatives	695	621	695	621
- Debt securities	(28)	1,003	93	293
- Equity securities	135	7	-	2
- Others	<u>41</u>	<u>(118)</u>	<u>24</u>	<u>(114)</u>
Total	<u>8,746</u>	<u>8,887</u>	<u>8,574</u>	<u>8,593</u>

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40 LOSS ON FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

Loss on financial liabilities designated at fair value through profit or loss for the years ended 31 December 2016 and 2015 consisted of:

	(Million Baht)	
	<u>Consolidated and The Bank</u>	
	<u>2016</u>	<u>2015</u>
1. Changes in the fair value - net		
- Borrowing	-	-
2. Loss on redemption or transferable and interest expense		
which is not included NO. 1	<u>(4)</u>	<u>(6)</u>
Total	<u>(4)</u>	<u>(6)</u>

41 GAIN ON INVESTMENTS

Gain on investments presented in the statements of profit or loss and other comprehensive income for the years ended 31 December 2016 and 2015 consisted of:

	(Million Baht)			
	<u>Consolidated</u>		<u>The Bank</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Gain (loss) on disposal				
Available-for-sale investments	906	800	78	348
Held-to-maturity debt instruments	(62)	-	-	-
General investments	744	15	741	11
Investments in subsidiaries and associates	<u>-</u>	<u>-</u>	<u>29</u>	<u>-</u>
Total	<u>1,588</u>	<u>815</u>	<u>848</u>	<u>359</u>
Reversal on impairment investment				
General investments	-	(12)	-	-
Investments in subsidiaries and associates	<u>-</u>	<u>(18)</u>	<u>172</u>	<u>-</u>
Total	<u>-</u>	<u>(30)</u>	<u>172</u>	<u>-</u>
Total gain on investments	<u>1,588</u>	<u>785</u>	<u>1,020</u>	<u>359</u>



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42 IMPAIRMENT LOSS ON LOANS AND DEBT SECURITIES

Impairment loss on loans and debt securities for the years ended 31 December 2016 and 2015 consisted of:

	<u>Consolidated</u>		<u>The Bank</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Interbank and money market items	(385)	310	(385)	310
Held-to-maturity debt instruments	(59)	56	-	(1)
Loans to customers*	31,920	24,005	31,039	23,453
Loss on debt restructuring	<u>2,277</u>	<u>2,006</u>	<u>2,277</u>	<u>2,006</u>
Total	<u>33,753</u>	<u>26,377</u>	<u>32,931</u>	<u>25,768</u>

\* Including reversal of doubtful accounts to loss on debt restructuring

43 INCOME TAX EXPENSE

Royal Decree No. 577 B.E. 2557 dated 10 November 2014 under the Revenue Code regarding the Reduction and Exemption in Income Taxes grants the reduction to 20% of net taxable profit for the accounting period of 2015 which begins on or after 1 January 2015.

On 22 January 2016, The National Legislative Assembly has approved a reduction of the corporate income tax rate from 30% to 20% of net taxable profit for the accounting period which begins on or after 1 January 2016.

The Bank and its subsidiaries have applied the tax rate of 20% in measuring deferred tax assets and liabilities as at 31 December 2016 and 2015 in accordance with the clarification issued by the Federation of Accounting Professions in 2012.

43.1 Income tax recognised in profit or loss for the years ended 31 December 2016 and 2015 consisted of:

	<u>Consolidated</u>		<u>The Bank</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current tax expense				
Current year	11,254	11,699	7,878	8,667
Deferred tax expense				
Movements in temporary differences	<u>(798)</u>	<u>(1,172)</u>	<u>(420)</u>	<u>(929)</u>
Total income tax expense	<u>10,456</u>	<u>10,527</u>	<u>7,458</u>	<u>7,738</u>

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43.2 Income tax recognised in other comprehensive income for the years ended 31 December 2016 and 2015 consisted of:

	(Million Baht)			
	<u>Consolidated</u>		<u>The Bank</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Income taxes relating to components of other comprehensive income				
Movements in temporary differences	(1,732)	423	(1,200)	14

43.3 Reconciliation of effective tax rates consisted of:

	(Million Baht)			
	<u>Consolidated</u>			
	<u>2016</u>		<u>2015</u>	
	<u>Rate (%)</u>	<u>Amount</u>	<u>Rate (%)</u>	<u>Amount</u>
Operating profit before income tax expense		<u>55,796</u>		<u>54,482</u>
Income tax using the expected average tax rate*	20.00%	11,159	20.00%	10,896
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit, net		<u>(703)</u>		<u>(369)</u>
Total	18.74%	<u>10,456</u>	19.32%	<u>10,527</u>

	(Million Baht)			
	<u>The Bank</u>			
	<u>2016</u>		<u>2015</u>	
	<u>Rate (%)</u>	<u>Amount</u>	<u>Rate (%)</u>	<u>Amount</u>
Operating profit before income tax expense		<u>42,972</u>		<u>42,139</u>
Income tax using the expected tax rate	20.00%	8,594	20.00%	8,428
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit, net		<u>(1,136)</u>		<u>(690)</u>
Total	17.36%	<u>7,458</u>	18.36%	<u>7,738</u>

\* Expected average tax rate corresponds to the weighted average tax rates by operating profit before income tax expense in those countries where the Bank operates.

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44 GAIN (LOSS) ARISING FROM TRANSLATING THE FINANCIAL STATEMENTS OF A FOREIGN OPERATION

Gain (loss) arising from translating the financial statements of a foreign operation consisted of:

	(Million Baht)	
	<u>Consolidated</u>	
	<u>For Year Ended 31 December</u>	
	<u>2016</u>	<u>2015</u>
(Loss) gain arising from translating the financial statements of a foreign operation	(856)	894
Gain (loss) from hedging instrument	<u>745</u>	<u>(1,179)</u>
Total	<u>(111)</u>	<u>(285)</u>

	(Million Baht)	
	<u>The Bank</u>	
	<u>For Year Ended 31 December</u>	
	<u>2016</u>	<u>2015</u>
(Loss) gain arising from translating the financial statements of a foreign operation	(845)	800
Gain (loss) from hedging instrument	<u>726</u>	<u>(1,059)</u>
Total	<u>(119)</u>	<u>(259)</u>

#### 45 FINANCIAL RISK MANAGEMENT

##### Credit risk

Credit risk refers to the risk that a counterparty or a borrower may default on its contractual obligations and agreements. Such default may be caused by the counterparty's inability to pay due to financial encumbrances or their intention not to abide by the contractual agreements, resulting in a loss to the Bank.

The Bank determines the target of loan growth and its desirable credit portfolio composition that strives for the highest possible risk-adjusted return within acceptable risk levels under stress conditions, by taking into account economic outlook, potential market opportunities, and the Bank's strategic direction. In assessing medium and large corporate customers' credit risk level, the Bank utilizes credit risk rating tools to enhance the quality of loans granted. Furthermore, the credit scoring has been employed to determine the credit risk level of retail customers to ensure uniformity of assessment results. To manage medium business and large corporate business portfolios following the approval process, the Bank annually reviews customers' credits rating on qualitative and quantitative basis. Capital allocation strategy has been implemented at segment and sub-segment level. Regarding management of the retail portfolio, behavior scoring has been adopted for assessing customers' risk level resulting in the Bank's capability in determining risk-adjusted returns or interest rates. Moreover, the Bank has employed collection scoring to define risk-based collection strategies and optimize collection efficiency. In addition, the Bank has conducted the stress tests to assess potential impacts from export slowdown, ineffective economic stimulus, and slowdown of foreign economy in order to determine the implication to credit policy and credit risk management.

In the credit approval process, the Bank considers the customer's ability to repay and the loan objectives as key factors in the approval of credit and may obtain sufficient collateral or other securities, where appropriate, as a means of mitigating the risk of financial losses from default. To maximize the effectiveness of the credit approval process, credit analysis and approval functions are separated from the units responsible for maintaining customer relationship. The Bank also has process for regularly reviewing customers' credit rating and performance on all approved transactions. For non-performing loans (NPL), the Bank has closely and continuously monitored, resolved and/or restructured them to retain maximum benefits for the Bank.

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**Market risk**

Market risk is the risk due to changes in interest rates, foreign exchange rates, equity prices, commodity prices, and credit spreads which affects the Bank's operation and financial performance.

**1. Interest rate risk**

Interest rate risk is the risk arising from changes in interest rates which may affect the value of the Bank's financial instruments, or may cause volatility in the Bank's earnings, capital, financial assets and liabilities, both in the current reporting period and in the future. The Bank has employed various tools to manage interest rate risk, such as interest rate gap and Value-at-Risk (VaR).

An analysis of loans (including financial institutions) at fixed and floating interest rates (MLR, MOR and MRR) as of 31 December 2016 and 2015 is as follows:

	<u>Consolidated</u>		<u>The Bank</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Fixed interest rates	814,146	713,406	835,666	696,292
Floating interest rates	<u>1,135,909</u>	<u>1,133,512</u>	<u>1,140,063</u>	<u>1,128,510</u>
Total Loans (including financial institutions)	<u>1,950,055</u>	<u>1,846,918</u>	<u>1,975,729</u>	<u>1,824,802</u>

(Million Baht)

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The average balances of the interest-bearing financial assets and liabilities of the Bank and its subsidiaries, calculated by using monthly average, and the average interest rates for the years ended 31 December 2016 and 2015 are as follows:

(Million Baht)

	<u>Consolidated</u>					
	<u>2016</u>			<u>2015</u>		
	Interest			Interest		
	Average	Income/	Average	Average	Income/	Average
	Balance	Expense	Rate (%)	Balance	Expense	Rate (%)
Interest-bearing Financial Assets						
Interbank and money market items	396,803	5,892	1.48	267,050	3,897	1.46
Investments	525,182	15,032	2.86	518,015	15,173	2.93
Loans to customers	<u>1,572,211</u>	<u>94,937</u>	6.04	<u>1,514,770</u>	<u>95,278</u>	6.29
Total	<u>2,494,196</u>	<u>115,861</u>	4.65	<u>2,299,835</u>	<u>114,348</u>	4.97
Interest-bearing Financial Liabilities						
Deposits	1,747,688	12,682	0.73	1,663,138	16,880	1.01
Interbank and money market items	132,298	1,979	1.50	110,497	1,517	1.37
Debts issued and borrowings	<u>88,359</u>	<u>3,523</u>	3.99	<u>85,391</u>	<u>3,313</u>	3.88
Total	<u>1,968,345</u>	<u>18,184</u>	0.92	<u>1,859,026</u>	<u>21,710</u>	1.17

(Million Baht)

	<u>The Bank</u>					
	<u>2016</u>			<u>2015</u>		
	Interest			Interest		
	Average	Income/	Average	Average	Income/	Average
	Balance	Expense	Rate (%)	Balance	Expense	Rate (%)
Interest-bearing Financial Assets						
Interbank and money market items	386,819	5,587	1.44	251,507	3,455	1.37
Investments	226,825	3,719	1.64	276,326	5,663	2.05
Loans to customers	<u>1,550,198</u>	<u>91,203</u>	5.88	<u>1,496,808</u>	<u>91,990</u>	6.15
Total	<u>2,163,842</u>	<u>100,509</u>	4.64	<u>2,024,641</u>	<u>101,108</u>	4.99
Interest-bearing Financial Liabilities						
Deposits	1,750,856	12,676	0.72	1,665,733	16,874	1.01
Interbank and money market items	141,659	2,048	1.45	114,449	1,514	1.32
Debts issued and borrowings	<u>88,160</u>	<u>3,520</u>	3.99	<u>85,243</u>	<u>3,311</u>	3.89
Total	<u>1,980,675</u>	<u>18,244</u>	0.92	<u>1,865,425</u>	<u>21,699</u>	1.16

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Financial assets and liabilities, classified by maturity of interest repricing, as of 31 December 2016 and 2015 shown below:

(Million Baht)

	<u>Consolidated</u>							
	<u>2016</u>							
	Immediate	Within	Over 6 Months	Over 1 Year	Over	Non-interest	Stop	
	<u>Repricing</u>	<u>6 Months</u>	<u>to 1 Year</u>	<u>to 5 Years</u>	<u>5 Years</u>	<u>Bearing</u>	<u>Accrued</u>	<u>Total</u>
<b><u>Financial Assets</u></b>								
Cash	-	-	-	-	-	60,589	-	60,589
Interbank and money market								
items	5,073	310,268	12,447	2,156	-	19,403	-	349,347
Investments	-	135,468	59,992	145,298	260,008	37,037	505	638,308
Loans to customers	1,023,286	193,027	30,291	97,995	105,795	102,336	144,851	1,697,581
Accrued interest receivables	-	-	-	-	-	3,492	-	3,492
Other assets	<u>11,525</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,233</u>	<u>-</u>	<u>24,758</u>
Total Financial Assets	<u>1,039,884</u>	<u>638,763</u>	<u>102,730</u>	<u>245,449</u>	<u>365,803</u>	<u>236,090</u>	<u>145,356</u>	<u>2,774,075</u>
<b><u>Financial Liabilities</u></b>								
Deposits	1,287,345	309,321	88,685	10,851	-	98,633	-	1,794,835
Interbank and money market								
items	4,490	117,294	5,425	3,751	22,124	6,968	-	160,052
Liabilities payable on demand	-	-	-	-	-	19,846	-	19,846
Debts issued and borrowings	-	270	-	45,883	50,000	223	-	96,376
Other liabilities	<u>15,096</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,259</u>	<u>-</u>	<u>18,355</u>
Total Financial Liabilities	<u>1,306,931</u>	<u>426,885</u>	<u>94,110</u>	<u>60,485</u>	<u>72,124</u>	<u>128,929</u>	<u>-</u>	<u>2,089,464</u>
Items recognised on the								
statements of financial								
position	<u>(267,047)</u>	<u>211,878</u>	<u>8,620</u>	<u>184,964</u>	<u>293,679</u>	<u>107,161</u>	<u>145,356</u>	<u>684,611</u>

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(Million Baht)

	<u>Consolidated</u>							
	<u>2015</u>							
	<u>Immediate</u>	<u>Within</u>	<u>Over 6 Months</u>	<u>Over 1 Year</u>	<u>Over</u>	<u>Non-interest</u>	<u>Stop</u>	
	<u>Repricing</u>	<u>6 Months</u>	<u>to 1 Year</u>	<u>to 5 Years</u>	<u>5 Years</u>	<u>Bearing</u>	<u>Accrued</u>	<u>Total</u>
<b><u>Financial Assets</u></b>								
Cash	-	-	-	-	-	56,226	-	56,226
Interbank and money market								
items	23,649	247,373	6,808	4,724	-	26,715	-	309,269
Investments	-	185,483	19,293	26,767	206,594	30,937	505	469,579
Loans to customers	990,695	168,530	28,995	90,551	110,094	93,272	127,750	1,609,887
Accrued interest receivables	-	-	-	-	-	3,088	-	3,088
Other assets	<u>15,320</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,121</u>	<u>-</u>	<u>27,441</u>
Total Financial Assets	<u>1,029,664</u>	<u>601,386</u>	<u>55,096</u>	<u>122,042</u>	<u>316,688</u>	<u>222,359</u>	<u>128,255</u>	<u>2,475,490</u>
<b><u>Financial Liabilities</u></b>								
Deposits	1,144,108	339,133	102,289	27,715	-	92,134	-	1,705,379
Interbank and money market								
items	4,104	39,945	13	7,891	11,862	7,651	-	71,466
Liabilities payable on demand	-	-	-	-	-	23,545	-	23,545
Financial liabilities designated								
at fair value through profit								
or loss	-	39	-	-	-	-	-	39
Debts issued and borrowings	-	4,605	6,620	31,810	42,500	43	-	85,578
Other liabilities	<u>8,324</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,051</u>	<u>-</u>	<u>12,375</u>
Total Financial Liabilities	<u>1,156,536</u>	<u>383,722</u>	<u>108,922</u>	<u>67,416</u>	<u>54,362</u>	<u>127,424</u>	<u>-</u>	<u>1,898,382</u>
Items recognised on the								
statements of financial								
position	<u>(126,872)</u>	<u>217,664</u>	<u>(53,826)</u>	<u>54,626</u>	<u>262,326</u>	<u>94,935</u>	<u>128,255</u>	<u>577,108</u>



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	The Bank							
	2016							
	Immediate	Within	Over 6 Months	Over 1 Year	Over	Non-interest	Stop	
	Repricing	6 Months	to 1 Year	to 5 Years	5 Years	Bearing	Accrued	Total
<b><u>Financial Assets</u></b>								
Cash	-	-	-	-	-	60,542	-	60,542
Interbank and money market								
items	4,764	308,400	5,014	2,134	-	17,989	-	338,301
Investments	-	130,305	58,277	118,419	5,643	3,726	498	316,868
Loans to customers	1,018,396	180,035	6,409	104,812	117,326	102,336	142,593	1,671,907
Accrued interest receivables	-	-	-	-	-	3,053	-	3,053
Other assets	<u>9,933</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,053</u>	<u>-</u>	<u>16,986</u>
Total Financial Assets	<u>1,033,093</u>	<u>618,740</u>	<u>69,700</u>	<u>225,365</u>	<u>122,969</u>	<u>194,699</u>	<u>143,091</u>	<u>2,407,657</u>
<b><u>Financial Liabilities</u></b>								
Deposits	1,290,661	309,308	88,857	10,717	-	98,897	-	1,798,440
Interbank and money market								
items	8,131	122,318	5,425	3,751	22,124	7,759	-	169,508
Liabilities payable on demand	-	-	-	-	-	19,846	-	19,846
Debts issued and borrowings	-	102	-	45,883	50,000	223	-	96,208
Other liabilities	<u>3,806</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,283</u>	<u>-</u>	<u>7,089</u>
Total Financial Liabilities	<u>1,302,598</u>	<u>431,728</u>	<u>94,282</u>	<u>60,351</u>	<u>72,124</u>	<u>130,008</u>	<u>-</u>	<u>2,091,091</u>
Items recognised on the								
statements of financial								
position	<u>(269,505)</u>	<u>187,012</u>	<u>(24,582)</u>	<u>165,014</u>	<u>50,845</u>	<u>64,691</u>	<u>143,091</u>	<u>316,566</u>

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(Million Baht)

	The Bank							
	2015							
	Immediate	Within	Over 6 Months	Over 1 Year	Over	Non-interest	Stop	
	Repricing	6 Months	to 1 Year	to 5 Years	5 Years	Bearing	Accrued	Total
<b><u>Financial Assets</u></b>								
Cash	-	-	-	-	-	56,204	-	56,204
Interbank and money market								
items	23,411	242,600	6,367	1,712	-	24,927	-	299,017
Investments	-	181,837	16,168	7,088	393	3,978	498	209,962
Loans to customers	986,168	155,341	6,953	101,915	118,397	93,272	125,725	1,587,771
Accrued interest receivables	-	-	-	-	-	2,707	-	2,707
Other assets	<u>13,862</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,727</u>	<u>-</u>	<u>20,589</u>
Total Financial Assets	<u>1,023,441</u>	<u>579,778</u>	<u>29,488</u>	<u>110,715</u>	<u>118,790</u>	<u>187,815</u>	<u>126,223</u>	<u>2,176,250</u>
<b><u>Financial Liabilities</u></b>								
Deposits	1,147,326	339,117	102,389	27,591	-	92,171	-	1,708,594
Interbank and money market								
items	13,319	39,608	13	7,891	11,862	9,152	-	81,845
Liabilities payable on demand	-	-	-	-	-	23,544	-	23,544
Financial liabilities designated								
at fair value through profit								
or loss	-	39	-	-	-	-	-	39
Debts issued and borrowings	-	4,409	6,620	31,810	42,500	43	-	85,382
Other liabilities	<u>1,199</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,039</u>	<u>-</u>	<u>5,238</u>
Total Financial Liabilities	<u>1,161,844</u>	<u>383,173</u>	<u>109,022</u>	<u>67,292</u>	<u>54,362</u>	<u>128,949</u>	<u>-</u>	<u>1,904,642</u>
Items recognised on the								
statements of financial								
position	<u>(138,403)</u>	<u>196,605</u>	<u>(79,534)</u>	<u>43,423</u>	<u>64,428</u>	<u>58,866</u>	<u>126,223</u>	<u>271,608</u>

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2. Foreign exchange rate risk

Foreign exchange rate risk is the risk that occurs from changes in exchange rates which may affect the value of the Bank's financial instruments or may cause volatility in the Bank's earnings, capital, financial assets and liabilities, both in the current reporting period and in the future. Example of the tools adopted for managing foreign exchange rate risk are, for instance, open position and VaR.

Foreign currency positions in Baht equivalent, as of 31 December 2016 and 2015 were as follows:

(Million Baht)

	<u>Consolidated</u>					
	<u>2016</u>					
	<u>Currency</u>					
	<u>US Dollar</u>	<u>Yen</u>	<u>Pound</u>	<u>Euro</u>	<u>Others</u>	<u>Total</u>
<b><u>Assets</u></b>						
Cash	516	58	65	270	384	1,293
Interbank and money market items - net	35,468	161	65	90	13,830	49,614
Investments - net	43,863	15,715	487	10,630	516	71,211
Loans to customer and accrued interest						
receivables - net	103,340	1,213	139	2,512	7,423	114,627
Other assets	<u>7,730</u>	<u>8</u>	<u>1</u>	<u>221</u>	<u>141</u>	<u>8,101</u>
Total	<u>190,917</u>	<u>17,155</u>	<u>757</u>	<u>13,723</u>	<u>22,294</u>	<u>244,846</u>
<b><u>Liabilities</u></b>						
Deposits	68,452	752	586	1,985	7,371	79,146
Interbank and money market items	14,873	3,174	-	295	40	18,382
Liabilities payable on demand	9,771	247	73	483	475	11,049
Debts issued and borrowings	45,663	-	-	-	-	45,663
Other liabilities	<u>5,572</u>	<u>171</u>	<u>8</u>	<u>855</u>	<u>220</u>	<u>6,826</u>
Total	<u>144,331</u>	<u>4,344</u>	<u>667</u>	<u>3,618</u>	<u>8,106</u>	<u>161,066</u>
Foreign currency position of						
items recognised on the statements of						
financial position - net	<u>46,586</u>	<u>12,811</u>	<u>90</u>	<u>10,105</u>	<u>14,188</u>	<u>83,780</u>
items not recognised on the statements of						
financial position - net	<u>(54,839)</u>	<u>(12,358)</u>	<u>379</u>	<u>(9,738)</u>	<u>(9,276)</u>	<u>(85,832)</u>
(Forward exchange contracts, cross currency swaps and FX options)						

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(Million Baht)

	<u>Consolidated</u>					
	<u>2015</u>					
	<u>Currency</u>					
	<u>US Dollar</u>	<u>Yen</u>	<u>Pound</u>	<u>Euro</u>	<u>Others</u>	<u>Total</u>
<b><u>Assets</u></b>						
Cash	537	112	124	388	547	1,708
Interbank and money market items - net	61,900	117	159	2,582	23,887	88,645
Investments - net	49,529	4,080	510	3,365	384	57,868
Loans to customer and accrued interest						
receivables - net	103,837	1,366	171	3,327	4,726	113,427
Other assets	<u>10,824</u>	<u>1</u>	<u>1</u>	<u>196</u>	<u>180</u>	<u>11,202</u>
Total	<u>226,627</u>	<u>5,676</u>	<u>965</u>	<u>9,858</u>	<u>29,724</u>	<u>272,850</u>
<b><u>Liabilities</u></b>						
Deposits	55,972	576	340	1,955	8,180	67,023
Interbank and money market items	9,152	3,785	-	262	2,608	15,807
Liabilities payable on demand	12,196	167	69	698	579	13,709
Debts issued and borrowings	38,185	-	-	-	-	38,185
Other liabilities	<u>1,816</u>	<u>9</u>	<u>2</u>	<u>14</u>	<u>321</u>	<u>2,162</u>
Total	<u>117,321</u>	<u>4,537</u>	<u>411</u>	<u>2,929</u>	<u>11,688</u>	<u>136,886</u>
Foreign currency position of						
items recognised on the statements of						
financial position - net	<u>109,306</u>	<u>1,139</u>	<u>554</u>	<u>6,929</u>	<u>18,036</u>	<u>135,964</u>
items not recognised on the statements of						
financial position - net	<u>(103,901)</u>	<u>(789)</u>	<u>(48)</u>	<u>(6,291)</u>	<u>(17,161)</u>	<u>(128,190)</u>
(Forward exchange contracts, cross currency swaps and FX options)						

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(Million Baht)

	The Bank					
	2016					
	Currency					
	US Dollar	Yen	Pound	Euro	Others	Total
<b><u>Assets</u></b>						
Cash	493	58	65	270	381	1,267
Interbank and money market items - net	34,949	161	65	90	13,275	48,540
Investments - net	6,631	15,064	-	4,704	23	26,422
Investments in subsidiaries and associates - net	1,856	-	-	-	-	1,856
Loans to customer and accrued interest receivables - net	102,569	1,213	139	2,512	7,285	113,718
Other assets	<u>7,338</u>	<u>8</u>	<u>1</u>	<u>77</u>	<u>74</u>	<u>7,498</u>
Total	<u>153,836</u>	<u>16,504</u>	<u>270</u>	<u>7,653</u>	<u>21,038</u>	<u>199,301</u>
<b><u>Liabilities</u></b>						
Deposits	68,122	752	586	1,985	7,254	78,699
Interbank and money market items	14,873	3,174	-	295	40	18,382
Liabilities payable on demand	9,771	247	73	483	475	11,049
Debts issued and borrowings	45,663	-	-	-	-	45,663
Other liabilities	<u>5,562</u>	<u>171</u>	<u>8</u>	<u>855</u>	<u>207</u>	<u>6,803</u>
Total	<u>143,991</u>	<u>4,344</u>	<u>667</u>	<u>3,618</u>	<u>7,976</u>	<u>160,596</u>
Foreign currency position of items recognised on the statements of financial position - net	<u>9,845</u>	<u>12,160</u>	<u>(397)</u>	<u>4,035</u>	<u>13,062</u>	<u>38,705</u>
items not recognised on the statements of financial position - net	<u>(19,530)</u>	<u>(12,215)</u>	<u>379</u>	<u>(4,279)</u>	<u>(9,276)</u>	<u>(44,921)</u>
(Forward exchange contracts, cross currency swaps and FX options)						

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(Million Baht)

	<div> <div>The Bank</div> <div>2015</div> <div>Currency</div> </div>					
	US Dollar	Yen	Pound	Euro	Others	Total
<b><u>Assets</u></b>						
Cash	533	112	124	388	546	1,703
Interbank and money market items - net	61,399	117	159	2,582	23,142	87,399
Investments - net	14,343	3,727	-	1,897	23	19,990
Investments in subsidiaries and associates - net	1,856	-	-	-	-	1,856
Loans to customer and accrued interest receivables - net	103,468	1,366	171	3,327	4,641	112,973
Other assets	<u>10,484</u>	<u>1</u>	<u>1</u>	<u>174</u>	<u>110</u>	<u>10,770</u>
Total	<u>192,083</u>	<u>5,323</u>	<u>455</u>	<u>8,368</u>	<u>28,462</u>	<u>234,691</u>
<b><u>Liabilities</u></b>						
Deposits	55,817	576	340	1,955	8,098	66,786
Interbank and money market items	9,628	3,785	-	262	2,683	16,358
Liabilities payable on demand	12,196	167	69	698	579	13,709
Debts issued and borrowings	38,185	-	-	-	-	38,185
Other liabilities	<u>1,804</u>	<u>9</u>	<u>2</u>	<u>14</u>	<u>318</u>	<u>2,147</u>
Total	<u>117,630</u>	<u>4,537</u>	<u>411</u>	<u>2,929</u>	<u>11,678</u>	<u>137,185</u>
Foreign currency position of items recognised on the statements of financial position - net	<u>74,453</u>	<u>786</u>	<u>44</u>	<u>5,439</u>	<u>16,784</u>	<u>97,506</u>
items not recognised on the statements of financial position - net	<u>(78,277)</u>	<u>(685)</u>	<u>(48)</u>	<u>(5,472)</u>	<u>(17,161)</u>	<u>(101,643)</u>
(Forward exchange contracts, cross currency swaps and FX options)						

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**3. Equity price risk**

Equity price risk is the risk arising from changes in the price of equities or common stocks that may affect the value of the Bank's financial instruments or may cause volatility in the Bank's earnings, capital, financial assets and liabilities, both in the current reporting period and in the future.

The Bank manages equity position mainly for supporting equity underwriting business and non-directional equity trading business to serve customers' demand, as well as investing in equity security under relevant applicable regulations. However, the Bank has no policy to increase the size of equity investment, but manages to reduce investment holding in equities unrelated to the Bank's core business.

**4. Commodity price risk**

Commodity price risk is the risk arising from changes in the price of commodities that may affect the value of the Bank's financial instruments, or may cause volatility in the Bank's earnings, capital, financial assets and liabilities, both in the current reporting period and in the future.

The Bank has no policy to hold commodity position, but manages risk arising from commodity trading business mainly to serve customers' demand under relevant applicable regulations. Regarding to non-directional gold trading business, the Bank manages risk without intention to hold gold position, while back-to-back risk management is employed for other types of commodity risk.

**5. Credit spread risk**

Credit spread risk is the risk arising from changes in credit spreads which may affect the value of the Bank's financial instruments or may cause volatility in the Bank's earnings, capital, financial assets and liabilities, both in the current reporting period and in the future.

The Bank manages credit spread risk arising from bond underwriting and bond trading business mainly to serve customers' demand, as well as investing in bond under relevant applicable regulations.

In addition, the Bank has closely monitored risk status and market situations in order to pursue prudent management and control risk under the limits.

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**Liquidity risk**

Liquidity risk is the risk that the Bank will be unable to meet its obligations as they fall due because of an inability to liquidate assets or obtain sufficient funding in a timely manner at an appropriate cost which could result in losses.

The Bank manages its liquidity risk under the Bank of Thailand's liquidity reserve regulations and other applicable regulations by sourcing for short-term and long-term funding, investing in highly liquid assets in both domestic and foreign currencies, maintaining Liquidity Coverage Ratio (LCR) in order to ensure that the Bank has sufficient liquidity to support net cash outflows under liquidity stress scenario, and setting up various tools and limits for risk measurement, monitoring and control, and reporting. The Bank also ensures that its liquidity position is suitable and sufficient for operations under both normal and critical situations.



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Financial assets and liabilities, classified by remaining contractual maturity analysis, as of 31 December 2016 and 2015 were as follows:

(Million Baht)

	<u>Consolidated</u>						
	<u>2016</u>						
	<u>At call</u>	<u>Within 6 Months</u>	<u>Over 6 Months to 1 Year</u>	<u>Over 1 Year to 5 Years</u>	<u>Over 5 Years</u>	<u>No Maturity</u>	<u>Total</u>
<b><u>Financial Assets</u></b>							
Cash	-	-	-	-	-	60,589	60,589
Interbank and money market items	24,252	309,925	12,459	2,442	269	-	349,347
Investments*	6	97,056	58,514	147,179	10,569	5,769	319,093
Loans to customers	294,714	434,872	43,311	415,263	509,421	-	1,697,581
Accrued interest receivables	30	3,039	414	6	3	-	3,492
Other assets	<u>11,525</u>	<u>7,718</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,515</u>	<u>24,758</u>
Total Financial Assets	<u>330,527</u>	<u>852,610</u>	<u>114,698</u>	<u>564,890</u>	<u>520,262</u>	<u>71,873</u>	<u>2,454,860</u>
<b><u>Financial Liabilities</u></b>							
Deposits	1,385,978	309,321	88,685	10,851	-	-	1,794,835
Interbank and money market items	11,458	108,337	5,425	12,708	22,124	-	160,052
Liabilities payable on demand	19,846	-	-	-	-	-	19,846
Debts issued and borrowings	-	184	33	46,059	50,100	-	96,376
Other liabilities	<u>15,349</u>	<u>2,016</u>	<u>334</u>	<u>61</u>	<u>-</u>	<u>595</u>	<u>18,355</u>
Total Financial Liabilities	<u>1,432,631</u>	<u>419,858</u>	<u>94,477</u>	<u>69,679</u>	<u>72,224</u>	<u>595</u>	<u>2,089,464</u>
Liquidity - net	<u>(1,102,104)</u>	<u>432,752</u>	<u>20,221</u>	<u>495,211</u>	<u>448,038</u>	<u>71,278</u>	<u>365,396</u>
Liquidity - cumulative net	(1,102,104)	(669,352)	(649,131)	(153,920)	294,118	365,396	365,396

\*Investments of the life insurance subsidiary which are held primarily in relation to the insurance contract liabilities, are not presented in the table.

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(Million Baht)

	<u>Consolidated</u>						
	<u>2015</u>						
	<u>At call</u>	<u>Within 6 Months</u>	<u>Over 6 Months to 1 Year</u>	<u>Over 1 Year to 5 Years</u>	<u>Over 5 Years</u>	<u>No Maturity</u>	<u>Total</u>
<b><u>Financial Assets</u></b>							
Cash	-	-	-	-	-	56,226	56,226
Interbank and money market items	49,875	245,643	9,028	4,723	-	-	309,269
Investments*	6	111,013	38,966	49,391	6,724	4,722	210,822
Loans to customers	282,699	426,334	38,242	389,124	473,488	-	1,609,887
Accrued interest receivables	37	2,692	352	5	2	-	3,088
Other assets	<u>15,320</u>	<u>6,563</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,558</u>	<u>27,441</u>
Total Financial Assets	<u>347,937</u>	<u>792,245</u>	<u>86,588</u>	<u>443,243</u>	<u>480,214</u>	<u>66,506</u>	<u>2,216,733</u>
<b><u>Financial Liabilities</u></b>							
Deposits	1,236,242	339,133	102,289	27,715	-	-	1,705,379
Interbank and money market items	11,755	32,727	13	15,109	11,862	-	71,466
Liabilities payable on demand	23,545	-	-	-	-	-	23,545
Financial liabilities designated at fair value through profit or loss	-	39	-	-	-	-	39
Debts issued and borrowings	-	4,525	6,630	31,823	42,600	-	85,578
Other liabilities	<u>8,545</u>	<u>2,613</u>	<u>375</u>	<u>120</u>	<u>-</u>	<u>722</u>	<u>12,375</u>
Total Financial Liabilities	<u>1,280,087</u>	<u>379,037</u>	<u>109,307</u>	<u>74,767</u>	<u>54,462</u>	<u>722</u>	<u>1,898,382</u>
Liquidity - net	<u>(932,150)</u>	<u>413,208</u>	<u>(22,719)</u>	<u>368,476</u>	<u>425,752</u>	<u>65,784</u>	<u>318,351</u>
Liquidity - cumulative net	(932,150)	(518,942)	(541,661)	(173,185)	252,567	318,351	318,351

\*Investments of the life insurance subsidiary which are held primarily in relation to the insurance contract liabilities, are not presented in the table.

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(Million Baht)

	The Bank						
	2016						
	At call	Within 6 Months	Over 6 Months to 1 Year	Over 1 Year to 5 Years	Over 5 Years	No Maturity	Total
<b><u>Financial Assets</u></b>							
Cash	-	-	-	-	-	60,542	60,542
Interbank and money market items	22,556	308,032	5,023	2,421	269	-	338,301
Investments	-	97,056	58,338	147,179	10,569	3,726	316,868
Loans to customers	285,598	439,956	30,040	408,266	508,047	-	1,671,907
Accrued interest receivables	-	3,053	-	-	-	-	3,053
Other assets	<u>9,933</u>	<u>2,426</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,627</u>	<u>16,986</u>
Total Financial Assets	<u>318,087</u>	<u>850,523</u>	<u>93,401</u>	<u>557,866</u>	<u>518,885</u>	<u>68,895</u>	<u>2,407,657</u>
<b><u>Financial Liabilities</u></b>							
Deposits	1,389,558	309,308	88,857	10,717	-	-	1,798,440
Interbank and money market items	15,890	113,361	5,425	12,708	22,124	-	169,508
Liabilities payable on demand	19,846	-	-	-	-	-	19,846
Debts issued and borrowings	-	17	33	46,058	50,100	-	96,208
Other liabilities	<u>4,083</u>	<u>2,016</u>	<u>334</u>	<u>61</u>	<u>-</u>	<u>595</u>	<u>7,089</u>
Total Financial Liabilities	<u>1,429,377</u>	<u>424,702</u>	<u>94,649</u>	<u>69,544</u>	<u>72,224</u>	<u>595</u>	<u>2,091,091</u>
Liquidity - net	<u>(1,111,290)</u>	<u>425,821</u>	<u>(1,248)</u>	<u>488,322</u>	<u>446,661</u>	<u>68,300</u>	<u>316,566</u>
Liquidity - cumulative net	(1,111,290)	(685,469)	(686,717)	(198,395)	248,266	316,566	316,566

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(Million Baht)

	The Bank						
	2015						
		Within	Over 6 Months	Over 1 Year	Over	No	
	At call	6 Months	to 1 Year	to 5 Years	5 Years	Maturity	Total
<b><u>Financial Assets</u></b>							
Cash	-	-	-	-	-	56,204	56,204
Interbank and money market items	47,870	240,849	8,587	1,711	-	-	299,017
Investments	-	111,013	38,856	49,391	6,724	3,978	209,962
Loans to customers	272,250	433,225	27,263	384,324	470,709	-	1,587,771
Accrued interest receivables	-	2,707	-	-	-	-	2,707
Other assets	<u>13,862</u>	<u>2,130</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,597</u>	<u>20,589</u>
Total Financial Assets	<u>333,982</u>	<u>789,924</u>	<u>74,706</u>	<u>435,426</u>	<u>477,433</u>	<u>64,779</u>	<u>2,176,250</u>
<b><u>Financial Liabilities</u></b>							
Deposits	1,239,497	339,117	102,389	27,591	-	-	1,708,594
Interbank and money market items	22,471	32,390	13	15,109	11,862	-	81,845
Liabilities payable on demand	23,544	-	-	-	-	-	23,544
Financial liabilities designated at fair value through profit or loss	-	39	-	-	-	-	39
Debts issued and borrowings	-	4,329	6,630	31,823	42,600	-	85,382
Other liabilities	<u>1,408</u>	<u>2,613</u>	<u>375</u>	<u>120</u>	<u>-</u>	<u>722</u>	<u>5,238</u>
Total Financial Liabilities	<u>1,286,920</u>	<u>378,488</u>	<u>109,407</u>	<u>74,643</u>	<u>54,462</u>	<u>722</u>	<u>1,904,642</u>
Liquidity - net	<u>(952,938)</u>	<u>411,436</u>	<u>(34,701)</u>	<u>360,783</u>	<u>422,971</u>	<u>64,057</u>	<u>271,608</u>
Liquidity - cumulative net	(952,938)	(541,502)	(576,203)	(215,420)	207,551	271,608	271,608

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**Operational Risk Management**

“Operational risk” refers to the risk of direct or indirect losses in the Bank earnings and capital funds, resulting from failure or inadequate processes, personnel, operating and IT systems, or external events/factors.

The Bank’s operational risk management has been implemented, through systematic and effective risk identification, assessment, management, and reporting the operational risk level of products and processes continuously. All units of the Bank are required to report their operational risk exposures, designed controls, and risk prevention initiatives. Meanwhile, many modern risk management tools – such as Key Risk Indicators (KRI), Risk Event Database (RED) and other IT systems – have been employed, in order to enhance the effectiveness for risk monitoring and prevention, and manage risks in a timely manner before damage occurs to the Bank and customers. Moreover, the Bank continues managing risk from fraud for the purpose of attaining customer satisfaction towards the Bank’s products and services and also business continuity management (BCM).

**Insurance Risk Management**

Insurance risk is the risk arising from fluctuation of claim frequency, claim severity or time of claim occurrence that deviate from the pricing and reserving assumptions.

Pricing risk refers to the risk that the prices charged by the subsidiary for insurance contracts will ultimately be inadequate to support the future obligations arising from those contracts. The subsidiary manages the risk through the product approval process where products are regularly reviewed against pricing, design and profitability tests agreed by the product development sub-committee.

Reserving risk refers to risks that the provisions held in the subsidiary’s financial statements for its policyholder obligations will be inadequate. The adequacy of the reserves is considered by the Board of Directors of the subsidiary at each reporting date based on advice from the subsidiary’s actuaries and analysis of the sensitivity to key assumptions, in particular interest rate.

Additionally, to ensure that the subsidiary holds adequate reserves for future obligations, the control process on the quality of the in force policy data and the actuarial models are taken into consideration. The subsidiary’s internal audit department verifies the correctness and completeness of the in force policy data at least twice a year.

Many the subsidiary’s contracts are life insurance non-par contracts with guaranteed benefits. The amount of risk to which the subsidiary is exposed depends on the level of guarantee inherent in the contracts and the current interest rate. The changes in interest rate will not cause a change to the amount of the liability, unless the change is material enough to trigger a liability adequacy test adjustment.

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**Concentration of insurance risk**

Concentrations of risk may arise where a particular event or a series of events could impact heavily upon the Company's insurance contract liabilities.

Most of the Company's contracts are life insurance non-par contracts with guaranteed benefits. The amount of risk to which the Company is exposed depends on the level of guarantees inherent in the contracts and the current interest rate. The changes in interest rate will not cause a change to the amount of the liability, unless the change is material enough to trigger a liability adequacy test adjustment.

As at 31 December 2016, the discount interest rates for the purpose of the liability adequacy test, in accordance with industry practice, are depending on the yield curve corresponding to the estimated timing of the net expected cash flows from insurance contracts. Management monitors the sensitivity to changes in rates on an ongoing basis. A decrease of 100 basis points from current market interest rates would not be trigger a liability adequacy test adjustment.

**46 FAIR VALUE OF ASSETS AND LIABILITIES**

The Bank and its subsidiaries measure fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within level 1 that are observable, either directly or indirectly. This category includes instruments valued using quoted prices in active markets for similar instruments, quoted prices for similar assets or liabilities in markets that are less than active, or other valuation techniques which are directly or indirectly observable from market data.

Level 3 Inputs that are unobservable. This category includes assets or liabilities for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant impact on the valuation.

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46.1 Financial assets, financial liabilities, and derivatives measured at fair value

The fair value hierarchy of financial instruments measured at fair value on a recurring basis as of 31 December 2016 and 2015 are as follows:

(Million Baht)						
	<u>Consolidated</u>					
	<u>Level 1</u>	<u>2016</u> <u>Level 2</u>	<u>Total</u>	<u>Level 1</u>	<u>2015</u> <u>Level 2</u>	<u>Total</u>
<b><u>Financial Assets</u></b>						
Derivative assets						
- Exchange rate	-	21,375	21,375	-	21,892	21,892
- Interest rate	-	7,241	7,241	-	9,132	9,132
- Others	12	550	562	3	359	362
Trading investments	2,061	11,450	13,511	489	11,234	11,723
Available-for-sale investments	<u>37,587</u>	<u>298,647</u>	<u>336,234</u>	<u>26,809</u>	<u>188,556</u>	<u>215,365</u>
Total Financial Assets	<u>39,660</u>	<u>339,263</u>	<u>378,923</u>	<u>27,301</u>	<u>231,173</u>	<u>258,474</u>
<b><u>Financial Liabilities</u></b>						
Financial liabilities designated at						
fair value through profit or loss	-	-	-	-	39	39
Derivative liabilities						
- Exchange rate	-	21,879	21,879	-	20,939	20,939
- Interest rate	-	6,286	6,286	-	8,789	8,789
- Others	<u>87</u>	<u>488</u>	<u>575</u>	<u>15</u>	<u>336</u>	<u>351</u>
Total Financial Liabilities	<u>87</u>	<u>28,653</u>	<u>28,740</u>	<u>15</u>	<u>30,103</u>	<u>30,118</u>

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(Million Baht)

	The Bank					
	2016			2015		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
<b><u>Financial Assets</u></b>						
Derivative assets						
- Exchange rate	-	21,938	21,938	-	22,590	22,590
- Interest rate	-	7,241	7,241	-	9,132	9,132
- Others	-	494	494	-	347	347
Trading investments	-	11,451	11,451	-	11,234	11,234
Available-for-sale investments	<u>6,771</u>	<u>275,209</u>	<u>281,980</u>	<u>5,739</u>	<u>162,239</u>	<u>167,978</u>
Total Financial Assets	<u>6,771</u>	<u>316,333</u>	<u>323,104</u>	<u>5,739</u>	<u>205,542</u>	<u>211,281</u>
<b><u>Financial Liabilities</u></b>						
Financial liabilities designated at						
fair value through profit or loss	-	-	-	-	39	39
Derivative liabilities						
- Exchange rate	-	22,155	22,155	-	21,113	21,113
- Interest rate	-	6,286	6,286	-	8,789	8,789
- Others	<u>-</u>	<u>483</u>	<u>483</u>	<u>-</u>	<u>335</u>	<u>335</u>
Total Financial Liabilities	<u>-</u>	<u>28,924</u>	<u>28,924</u>	<u>-</u>	<u>30,276</u>	<u>30,276</u>

During the year ended 31 December 2016, due to changes in market conditions, there were transferred of financial assets measured at fair value of the bank's subsidiaries from level 2 to level 1 amounting to Baht 1,200 million.

The valuation techniques for level 2 of recurring fair value measurements are as follows:

The fair values of derivatives and structure notes are determined based upon liquid (observable) market prices, reference to exchange traded prices, broker or dealer quotations, prices of other similar transactions or prices derived by using a valuation technique incorporating observable market data which is adjusted with counterparty credit risk (excluding own credit risk) and other risks to reflect true economic value.

Investments in marketable equity securities and listed unit trusts classified as trading investments and available-for-sale investments are stated at fair value based on the last bid prices of the Stock Exchange of Thailand (SET) or the closing price of the Stock Exchange they are listed as of the reporting date.

Investments in unit trusts considered to be inactive are stated at fair value based on the net asset value as of the reporting date.



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Investments in government debt securities and state enterprises debt securities guaranteed by the government, classified as trading investments and available-for-sale investments, are stated at fair value based on the Thai Bond Market Association Government Bond Yield Curve as of the reporting date. State enterprises debt securities not guaranteed by the government and private debt instruments are stated at fair value based on bid prices from the Thai Bond Market Association as of the reporting date. If not available, the Government Bond Yield Curve for the same period is used, adjusted by an appropriate risk premium.

Investments in marketable foreign bonds classified as available-for-sale investments are stated at fair value based on bid prices from Bloomberg. If not available, indicative price from custodian is used.

The Bank and its subsidiaries measure the fair value of financial assets separately from financial liabilities. However, in cases where the Bank and its subsidiaries manage either market risk or credit risk on a portfolio basis, the Bank and its subsidiaries measure the fair value of those groups of financial instruments on a net basis.

46.2 Financial assets, financial liabilities and derivative are not measured at fair value

Fair value hierarchy of financial instruments which are not measured at fair value and for which there is a significant difference with carrying value as of 31 December 2016 and 2015 are as follows:

(Million Baht)

	<u>Consolidated</u>			
	<u>2016</u>		<u>2015</u>	
	<u>Carrying</u>	<u>Fair Value</u>	<u>Carrying</u>	<u>Fair Value</u>
	<u>Amount</u>	<u>Level 2</u>	<u>Amount</u>	<u>Level 2</u>
<b><u>Financial Assets</u></b>				
Derivative assets (Banking book)				
- Exchange rate	2,587	2,903	445	328
- Interest rate	-	430	-	271
Held-to-maturity investments	<u>298,065</u>	<u>320,185</u>	<u>248,272</u>	<u>269,093</u>
Total Financial Assets	<u>300,652</u>	<u>323,518</u>	<u>248,717</u>	<u>269,692</u>
<b><u>Financial Liabilities</u></b>				
Derivative liabilities (Banking book)				
- Exchange rate	2,890	2,774	3,489	3,171
- Interest rate	-	146	-	196
Debts issued and borrowings	<u>96,376</u>	<u>96,700</u>	<u>85,578</u>	<u>88,122</u>
Total Financial Liabilities	<u>99,266</u>	<u>99,620</u>	<u>89,067</u>	<u>91,489</u>

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(Million Baht)

	The Bank			
	2016		2015	
	<u>Carrying</u>	<u>Fair Value</u>	<u>Carrying</u>	<u>Fair Value</u>
<u>Financial Assets</u>	<u>Amount</u>	<u>Level 2</u>	<u>Amount</u>	<u>Level 2</u>
Derivative assets (Banking book)				
- Exchange rate	2,354	2,574	445	328
- Interest rate	-	428	-	271
Held-to-maturity investments	<u>25,949</u>	<u>25,972</u>	<u>32,254</u>	<u>32,265</u>
Total Financial Assets	<u>28,303</u>	<u>28,974</u>	<u>32,699</u>	<u>32,864</u>
<u>Financial Liabilities</u>				
Derivative liabilities (Banking book)				
- Exchange rate	1,091	1,395	1,463	1,667
- Interest rate	-	140	-	193
Debts issued and borrowings	<u>96,208</u>	<u>96,532</u>	<u>85,382</u>	<u>87,927</u>
Total Financial Liabilities	<u>97,299</u>	<u>98,067</u>	<u>86,845</u>	<u>89,787</u>

The following methods and assumptions are used by the Bank in estimating fair values of above financial assets and liabilities as disclosed herein:

Investments in government debt securities and state enterprises debt securities guaranteed by the government, classified as held-to-maturity investments, are stated at fair value based on the Thai Bond Market Association Government Bond Yield Curve as of the reporting date. State enterprises debt securities not guaranteed by the government and private debt instruments are stated at fair value based on bid prices from the Thai Bond Market Association as of the reporting date. If not available, the Government Bond Yield Curve for the same period is used, adjusted by an appropriate risk premium.

The fair values of debts issued and borrowings are the market value or the present value of cash flows with discounting rates that reflect current interest rate risk and the Bank's credit risk.

The fair values of loans to customers approximates carrying value including accrued interest receivables and net of deferred revenue, allowance for doubtful accounts and revaluation allowance for debt restructuring, as loans are at market rates of interest and the majority of fixed rate loans are short term. Furthermore, the allowance for doubtful accounts is predominately determined on an expected loss basis.

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The carrying amount of the following financial assets: cash, interbank and money market items – net, general investments and investments in receivables, and other assets which core item is accrued interest receivables and that of the following financial liabilities: deposits, interbank and money market items, liabilities on demand, and other liabilities which core item is accrued interest payables are a reasonable approximation of fair value because they are mostly short term in nature, referent to floating interest rates index.