

Ref. KTB.FIR. **423** /2017

February 28 , 2017

Singapore Exchange Securities Trading Limited

2 Shenton Way

#19-00 SGX Centre 1

Singapore 068804

Attn: Market Control Department

Dear Sir,

Re : Submission of the Financial Statements

Krung Thai Bank Public Company Limited ("The Bank") hereby submits the audited financial statements of the Bank and its subsidiaries for the year ended December 31, 2016 together with the operating performance as follows:

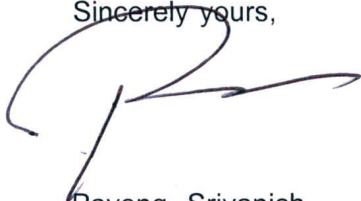
The Bank and its subsidiaries' operating results for the year ended December 31, 2016 show the net interest income of Bt.86,966m, an increase of Bt.6,098m or 7.54% over the Bt.80,868m of the corresponding period of 2015. Net profit before income tax and allowance for doubtful accounts of Bt.74,036m shows an increase of Bt.8,349m or 12.71% over the Bt.65,687m of the corresponding period of 2015. After deducting income tax and allowance for doubtful accounts of Bt.40,492m, net profit is Bt.33,544m, an increase of Bt.4,003m or 13.55% over the Bt.29,541m of the corresponding period of 2015. Net profit attributable to Equity holders of the Bank is Bt.32,283m, an increase of Bt.3,789m or 13.30% over the Bt.28,494m of the corresponding period of 2015.

The Bank and its subsidiaries' gross non-performing loans (NPLs) as at December 31, 2016 are Bt.91,128m, an increase of Bt.14,757m or 19.32% from Bt.76,371m as at December 31, 2015. The ratio of NPLs to loans increased to 3.97% compared with 3.20% as at December 31, 2015. Net non-performing loans (NPLs) are Bt.40,758m or 1.81% which the Bank and its subsidiaries have set aside allowance for bad debts, doubtful accounts and loss on impairment of Bt.33,429m for the year ended December 31, 2016, an increase of Bt.2,888m or 9.46% compared to the corresponding period of 2015. The Bank set aside Bt.26,996m provision for bad debts, doubtful accounts and loss on impairment. Since 2016, the Bank's monthly normalized provision increased from Bt 700 m to Bt 1,000 m to be suitable to the Bank's outstanding loans while the additional provision was slightly lower.

The Banks and its subsidiaries' coverage ratio was 121.57%, showing the increase from 112.55% as at December 31, 2015. (The Bank's coverage ratio was 121.30%, increased from 110.54% as at December 31, 2015)

Please be advised accordingly.

Sincerely yours,

A handwritten signature in dark ink, appearing to be 'Payong Srivanich', with a large, stylized initial 'P'.

Payong Srivanich

President



(TRANSLATION)

AUDITOR'S REPORT

To: THE SHAREHOLDERS OF KRUNG THAI BANK PUBLIC COMPANY LIMITED

Opinion

The Office of the Auditor General of Thailand has audited the accompanying consolidated financial statements of Krung Thai Bank Public Company Limited and its subsidiaries (the Group), and the Bank's financial statements of Krung Thai Bank Public Company Limited (the Bank), which comprise the consolidated and the Bank's statements of financial position as at December 31, 2016, and the consolidated and the Bank's statements of profit or loss and other comprehensive income, the consolidated and the Bank's statements of changes in equity and the consolidated and the Bank's statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In the Office of the Auditor General of Thailand's opinion, the accompanying consolidated and the Bank's financial statements present fairly, in all material respects, the consolidated financial position of the consolidated financial position of Krung Thai Bank Public Company Limited and its subsidiaries and of the Bank as at December 31, 2016, and its consolidated and the Bank's financial performance and its consolidated and the Bank's cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

The Office of the Auditor General of Thailand conducted the audit in accordance with Thai Standards on Auditing. The Office of the Auditor General of Thailand's responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated and the Bank's financial statements section of the report. The Office of the Auditor General of Thailand is independent of the Group and the Bank in accordance with the State Audit Standards issued by the State Audit Commission and the Federation of Accounting Professions under the Royal Patronage of his Majesty the King's Code of Ethics for Professional Accountants that are relevant to the audit of the consolidated and the Bank, and the Office of the Auditor General of Thailand has fulfilled other ethical responsibilities in accordance with these requirements. The Office of the Auditor General of Thailand believes that the audit evidence the Office of the Auditor General of Thailand has obtained is sufficient and appropriate to provide a basis for the Office of the Auditor General of Thailand opinion.

Office of the Auditor General of Thailand



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Key Audit Matters

Key audit matters are those matters that, in the Office of the Auditor General of Thailand professional judgment, were of most significance in the audit of the consolidated and the Bank's financial statements of the current period. The Office of the Auditor General of Thailand has considered these matters addressed in the context of the audit of the consolidated and the Bank's financial statements as a whole, and in forming the Office of the Auditor General of Thailand's opinion thereon, and the Office of the Auditor General of Thailand does not provide a separate opinion on these matters.

The Office of the Auditor General determines key audit matter communicated in the auditor's report as follows:

Allowance for Doubtful Accounts

The allowance for doubtful accounts for loans to customers requires the application of judgment and use of subjective assumptions and related factors applied by management in the estimates. Bank and its subsidiaries which engaged in the business of lending business recorded allowance for doubtful accounts in compliance with the Bank of Thailand's notifications and policy regulations on assets classification, determining provisions and the application of value of collateral in determining provisions. In addition, management considered determining additional allowances to cover any loss that may occur in the future by using more strict criteria than the requirements of the Bank of Thailand. Additional allowances consist of specific allowance for an individual that is likely to be non-performing loans or is likely to have loss more than allowance determined under normal regulations, and general allowance, including an individual that is not non-performing loans but there are any indicators of impairment.

Loans to customers and accrued interest receivables, net contributed as at December 31, 2016 to 66.88 % of the Group's total assets and 66.51% of the Bank's total assets. The loan portfolio comprises the borrowers from the 5 sectors, i.e. Private Corporate, Government and State Enterprise, SMEs, Retail, and others. The significant customers in the Bank's loan portfolio consist of the borrowers from Private Corporate (37.62% of Loans to customers and accrued interest receivables, net), SMEs (20.63% of Loans to customers and accrued interest receivables, net), and Retail (40.15% of Loans to customers and accrued interest receivables, net). In addition, loan portfolio of each sector has different size and credit process.

The Office of the Auditor General focuses on allowance for doubtful accounts for Private Corporate, SMEs, and Retail portfolios. Due to the adoption of regulations on allowance for doubtful accounts, management shall determine the quantitative and qualitative factors used for assets classification, assumptions and methods of calculating the allowances, such as present value of future



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cash flows expected to be received by the borrowers, present value of future cash flows expected to be received from the sale of collateral, previous loss experience, which is a process related to uncertainty. The use of different models, assumptions used in the calculation and the quality of the data may result in significantly different allowances for doubtful accounts.

The Office of the Auditor General's key audit procedures include understanding and assessing the effectiveness of the key controls, and test of controls as follows:

- The identification of circumstances which indicate that the borrower is likely to be non-performing loans, and may affect ability to repay;
- The governance over the determining allowances processes, including the continuous re-assessment by management that models, assumptions used in the calculation are still calibrated in a way which is appropriate for the impairment risks in the Bank's loan portfolios, including comparing models, assumptions used in the calculation with external sources;
- The review and approval process that management have in place for the models, assumptions used in the calculation, outputs from such models, and the adjustments that are applied to modelled outputs;
- The accuracy, completeness and quality of data input to the system;
- The data interface between systems from the approval to recording and monitoring of loans; and
- The transfer of data between underlying source systems and models used in the calculation.

For the selected borrowers, the Office of the Auditor General reviewed credit process, tested the accuracy, completeness and quality of data input to the system, assessed reasonableness of assumptions applied to identify circumstances which indicate that the borrower is likely to be non-performing loans and re-computed the calculation of allowances, assessed reasonableness of assumptions applied to forecast of future cash flows, valuation of collaterals and loss given default, and tested the accuracy of data transfer from credit systems to data captured in the accounting records.

Other Information

Management is responsible for the other information. The other information comprises information in the annual report, but does not include the consolidated and the Bank's financial statements and the auditor's report in the annual report. The Bank expects that the annual report is made available to the Office of the Auditor General of Thailand after the date of this auditor's report.



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The Office of the Auditor General of Thailand's opinion on the consolidated and the Bank's financial statements does not cover the other information and the Office of the Auditor General of Thailand will not express any form of assurance conclusion thereon.

In connection with the audit of the consolidated and the Bank's financial statements, the Office of the Auditor General of Thailand's 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 financial statements or knowledge obtained in the Office of the Auditor General of Thailand's audit, or otherwise appears to be materially misstated.

When the Office of the Auditor General of Thailand reads the annual report, if the Office of the Auditor General of Thailand concludes that there is a material misstatement therein, the Office of the Auditor General of Thailand is required to communicate the matter to those charged with governance and the management of the Group.

Responsibilities of Management and Those Charged with Governance for the Consolidated and the Bank's Financial Statements

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

In preparing the consolidated and the Bank's financial statements, management is responsible for assessing the Group 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 Group and the Bank's or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting processes.

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

The Office of the Auditor General of Thailand's objectives are to obtain reasonable assurance about whether the consolidated and the Bank's 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 the Office of the Auditor General of Thailand's opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a



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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's financial statements.

As part of the Office of the Auditor General of Thailand's audit in accordance with Thai Standards on Auditing, the Office of the Auditor General of Thailand exercises professional judgment and maintains professional skepticism throughout the audit. The Office of the Auditor General of Thailand also:

- Identifies and assesses the risks of material misstatement of the consolidated and the Bank's financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the Office of the Auditor General of Thailand's 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.
- Obtains 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 Group and the Bank's internal controls.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concludes 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 Group and the Bank's ability to continue as a going concern. If the Office of the Auditor General of Thailand concludes that a material uncertainty exists, the Office of the Auditor General of Thailand is required to draw attention in the auditor's report to the related disclosures in the consolidated and the Bank's financial statements or, if such disclosures are inadequate, to modify the Office of the Auditor General of Thailand's opinion. The Office of the Auditor General of Thailand's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Group and the Bank's to cease to continue as a going concern.
- Evaluates the overall presentation, structure and content of the consolidated and the Bank's financial statements, including the disclosures, and whether the consolidated and the Bank's financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The Office of the Auditor General of Thailand is responsible for the direction, supervision and performance of the Group and the Bank's audit. The Office of the Auditor General of Thailand remains solely responsible for the Office of the Auditor General of Thailand's opinion.

The Office of the Auditor General of Thailand communicates 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 the Office of the Auditor General of Thailand identifies during the audit.

The Office of the Auditor General of Thailand also provides those charged with governance with a statement that the Office of the Auditor General of Thailand has 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 the Office of the Auditor General of Thailand's independence, and where applicable, related safeguards.

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

(Signed)

Yupin Chalanonniwat

(Yupin Chalanonniwat)

Deputy Auditor General

(Signed)

Ratchanee Chohnakijkul

(Ratchanee Chohnakijkul)

Director of Financial Audit Office No.2

KRUNG THAI BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER, 2016

		(Thousand Baht)			
	NOTE	CONSOLIDATED		THE BANK'S	
		FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
		DECEMBER 31, 2016	DECEMBER 31, 2015	DECEMBER 31, 2016	DECEMBER 31, 2015
ASSETS					
CASH		72,106,416	71,470,113	71,929,866	71,294,408
INTERBANK AND MONEY MARKET ITEMS, NET	6.2	431,638,413	397,357,971	431,350,214	397,061,378
CLAIMS ON SECURITIES		21,421,700	13,494,400	21,421,700	13,494,400
DERIVATIVES ASSETS	6.3	30,063,046	34,039,142	30,084,832	34,088,515
INVESTMENTS, NET	6.4	226,954,571	247,081,663	226,693,145	246,811,058
INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES, NET	6.5	15,310,646	14,650,374	10,664,593	10,664,593
LOANS TO CUSTOMERS AND ACCRUED INTEREST RECEIVABLES, NET	6.6				
LOANS TO CUSTOMERS		1,907,821,949	2,033,250,476	1,837,243,223	1,969,827,420
ACCRUED INTEREST RECEIVABLES		5,270,682	5,900,902	4,774,560	5,462,813
TOTAL LOANS TO CUSTOMERS AND ACCRUED INTEREST RECEIVABLES		1,913,092,631	2,039,151,378	1,842,017,783	1,975,290,233
LESS DEFERRED REVENUE		(3,733,253)	(5,810,002)	(122,922)	(165,766)
LESS ALLOWANCE FOR DOUBTFUL ACCOUNTS	6.7	(110,719,616)	(85,823,934)	(102,859,894)	(77,221,061)
LESS REVALUATION ALLOWANCE FOR DEBT RESTRUCTURING	6.8	(61,619)	(132,627)	(61,619)	(132,627)
TOTAL LOANS TO CUSTOMERS AND ACCRUED INTEREST RECEIVABLES, NET		1,798,578,143	1,947,384,815	1,738,973,348	1,897,770,779
CUSTOMERS' LIABILITIES UNDER ACCEPTANCES		45,949	1,567,806	45,949	1,567,806
PROPERTIES FOR SALE, NET	6.9	35,743,634	30,008,144	35,668,551	29,909,856
PREMISES AND EQUIPMENT, NET	6.10	27,312,663	26,354,526	25,239,008	21,376,845
OTHER INTANGIBLE ASSETS, NET	6.11	4,210,901	4,571,604	870,720	897,367
DEFERRED TAX ASSETS	6.12	4,496,456	6,996,109	2,321,669	5,020,583
ACCRUED INCOME		2,853,937	3,788,212	2,589,233	3,578,869
OTHER ASSETS, NET	6.13	18,709,178	16,564,767	16,945,112	15,071,377
TOTAL ASSETS		2,689,445,653	2,815,329,646	2,614,797,940	2,748,607,834
LIABILITIES AND EQUITY					
DEPOSITS	6.14	1,972,403,532	2,135,498,511	1,975,157,675	2,137,446,488
INTERBANK AND MONEY MARKET ITEMS, NET	6.15	203,166,312	194,242,842	193,711,003	177,701,199
LIABILITIES PAYABLE ON DEMAND		5,082,471	6,121,116	5,082,471	6,121,116
LIABILITIES TO DELIVER SECURITIES		21,421,700	13,494,400	21,421,700	13,494,400
DERIVATIVES LIABILITIES	6.3	31,516,693	37,232,572	31,516,693	37,234,793
DEBT ISSUED AND BORROWINGS	6.16	120,690,859	116,240,463	79,267,859	86,937,975
BANK'S LIABILITIES UNDER ACCEPTANCES		45,949	1,567,806	45,949	1,567,806
PROVISIONS	6.17	11,152,279	14,424,688	10,163,418	13,634,737
OTHER LIABILITIES	6.18	44,818,915	46,209,922	37,976,431	39,997,788
TOTAL LIABILITIES		2,410,298,710	2,565,032,320	2,354,343,199	2,514,136,302

NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

(TRANSLATION)

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KRUNG THAI BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER, 2016

		(Thousand Baht)			
	NOTE	CONSOLIDATED		THE BANK'S	
		FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
		DECEMBER 31, 2016	DECEMBER 31, 2015	DECEMBER 31, 2016	DECEMBER 31, 2015
LIABILITIES AND EQUITY (CONTINUED)					
EQUITY					
SHARE CAPITAL	6.19				
AUTHORIZED SHARE CAPITAL					
5,500,000 PREFERRED SHARES OF BAHT 5.15 EACH		28,325	28,325	28,325	28,325
13,976,061,250 ORDINARY SHARES OF BAHT 5.15 EACH		71,976,715	71,976,715	71,976,715	71,976,715
ISSUED AND PAID-UP SHARE CAPITAL					
5,500,000 PREFERRED SHARES OF BAHT 5.15 EACH		28,325	28,325	28,325	28,325
13,976,061,250 ORDINARY SHARES OF BAHT 5.15 EACH		71,976,715	71,976,715	71,976,715	71,976,715
PREMIUM ON SHARE CAPITAL					
PREMIUM ON ORDINARY SHARE		20,833,734	20,833,734	20,833,734	20,833,734
OTHER COMPONENTS OF EQUITY		17,748,818	10,643,441	13,729,430	6,407,413
RETAINED EARNINGS					
APPROPRIATED					
LEGAL RESERVE	6.20	7,200,504	7,200,504	7,200,504	7,200,504
UNAPPROPRIATED		156,141,238	135,200,033	146,686,033	128,024,841
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		273,929,334	245,882,752	260,454,741	234,471,532
NON-CONTROLLING INTEREST		5,217,609	4,414,574		
TOTAL EQUITY		279,146,943	250,297,326	260,454,741	234,471,532
TOTAL LIABILITIES AND EQUITY		2,689,445,653	2,815,329,646	2,614,797,940	2,748,607,834

NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

(Signed) Somchai Sujjapongse
SOMCHAI SUJJAPONGSE
CHAIRMAN OF THE BOARD OF DIRECTORS

(Signed) Payong Srivanich
PAYONG SRIVANICH
PRESIDENT

(TRANSLATION)

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KRUNG THAI BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016

(Thousand Baht)					
	NOTE	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
		2016	2015	2016	2015
INTEREST INCOME	6.27	129,229,887	132,525,324	116,257,345	120,559,061
INTEREST EXPENSES	6.28	42,264,056	51,657,469	40,784,204	49,994,241
INTEREST INCOME, NET		86,965,831	80,867,855	75,473,141	70,564,820
FEES AND SERVICE INCOME		25,931,448	24,223,837	21,260,651	19,934,377
FEES AND SERVICE EXPENSES		3,889,459	2,880,428	2,482,700	2,178,256
FEES AND SERVICE INCOME, NET	6.29	22,041,989	21,343,409	18,777,951	17,756,121
GAINS ON TRADINGS AND FOREIGN EXCHANGE TRANSACTIONS, NET	6.30	6,827,507	6,700,615	6,802,133	6,738,334
GAINS (LOSSES) ON INVESTMENTS, NET	6.31	694,573	648,130	694,573	(150,635)
SHARE OF PROFIT FROM INVESTMENTS FOR USING EQUITY METHOD		3,083,147	3,038,174	-	-
DIVIDEND INCOME		481,744	407,648	3,561,154	3,591,414
OTHER OPERATING INCOME		4,573,025	3,601,542	1,626,956	858,764
TOTAL OPERATING INCOME		124,667,816	116,607,373	106,935,908	99,358,818
OTHER OPERATING EXPENSES					
EMPLOYEES' EXPENSES		27,946,699	27,373,533	22,726,102	22,229,945
DIRECTORS' REMUNERATION		105,924	114,938	78,196	82,700
PREMISES AND EQUIPMENT EXPENSES		8,829,528	9,294,196	5,101,364	5,244,695
TAXES AND DUTIES		4,526,003	5,044,995	4,072,890	4,642,603
OTHERS		9,223,322	9,091,991	11,714,621	11,693,669
TOTAL OTHER OPERATING EXPENSES		50,631,476	50,919,653	43,693,173	43,893,612
IMPAIRMENT LOSS OF LOANS AND DEBT SECURITIES	6.32	33,429,379	30,541,508	26,996,155	23,999,849
OPERATING PROFIT BEFORE INCOME TAX EXPENSES		40,606,961	35,146,212	36,246,580	31,465,357
INCOME TAX EXPENSES	6.33	7,063,097	5,604,746	6,278,794	4,991,609
NET PROFIT		33,543,864	29,541,466	29,967,786	26,473,748

NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

(TRANSLATION)

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KRUNG THAI BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016

(Thousand Baht)					
	NOTE	CONSOLIDATED		THE BANK'S	
		FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
		2016	2015	2016	2015
OTHER COMPREHENSIVE INCOME					
ITEMS THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS					
GAINS (LOSSES) ON REMEASURING AVAILABLE-FOR-SALE INVESTMENTS		6,724,383	(3,447,861)	6,724,383	(3,447,861)
LOSSES ARISING FROM TRANSLATING THE FINANCIAL STATEMENTS OF FOREIGN OPERATIONS		(79,909)	(38,408)	(79,909)	(38,408)
SHARE OF OTHER COMPREHENSIVE INCOME OF ASSOCIATES (EQUITY METHOD)					
FOR ITEMS THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS		(216,640)	999,703	-	-
RELATED INCOME TAX EXPENSES					
FOR ITEMS THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS		(1,344,876)	689,572	(1,344,876)	689,572
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS					
CHANGES IN REVALUATION SURPLUS ON ASSETS		2,528,024	(3,403)	2,528,024	(3,403)
ACTUARIAL LOSSES ON DEFINED BENEFIT PLANS		(936,608)	(214,146)	(849,697)	(342,100)
RELATED INCOME TAX EXPENSES					
FOR ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS		(318,284)	43,510	(335,665)	69,101
OTHER COMPREHENSIVE INCOME, NET	6.34	6,356,090	(1,971,033)	6,642,260	(3,073,099)
TOTAL COMPREHENSIVE INCOME		39,899,954	27,570,433	36,610,046	23,400,649
NET PROFIT ATTRIBUTABLE					
EQUITY HOLDERS OF THE BANK		32,283,026	28,493,773	29,967,786	26,473,748
NON-CONTROLLING INTEREST		1,260,838	1,047,693		
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE					
EQUITY HOLDERS OF THE BANK		38,673,419	26,522,284	36,610,046	23,400,649
NON-CONTROLLING INTEREST		1,226,535	1,048,149		
EARNINGS PER SHARE OF PARENT COMPANY					
BASIC EARNINGS PER SHARE (BAHT)		2.31	2.04	2.14	1.89
DILUTED EARNINGS PER SHARE (BAHT)		2.31	2.04	2.14	1.89

NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

(Signed) Somchai Sujjapongse
SOMCHAI SUJJAPONGSE
CHAIRMAN OF THE BOARD OF DIRECTORS

(Signed) Payong Srivanich
PAYONG SRIVANICH
PRESIDENT

(TRANSLATION)

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KRUNG THAI BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2016

(Thousand Baht)

CONSOLIDATED FINANCIAL STATEMENTS									
NOTE	ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK							NON-	TOTAL
	ISSUED AND PAID-UP SHARE CAPITAL	PREMIUM ON SHARE CAPITAL	OTHER COMPONENTS OF EQUITY			RETAINED	TOTAL EQUITY	CONTROLLING INTEREST	
			APPRAISAL	REVALUATION	GAIN (LOSS) FROM	EARNINGS	ATTRIBUTABLE		
			SURPLUS	SURPLUS	TRANSLATING		TO EQUITY		
			(DEFICIT)	(DEFICIT)	THE FINANCIAL		HOLDERS OF		
ON ASSETS	ON INVESTMENTS	STATEMENTS		THE BANK					
BEGINNING BALANCE AS AT DECEMBER 31, 2014 (BEFORE RESTATED)	72,005,040	20,833,734	6,347,639	6,062,309	33,210	126,860,323	232,142,255	8	232,142,263
EFFECT FROM TFRS 10 CONSOLIDATED FINANCIAL STATEMENTS	-	-	-	-	-	-	-	3,724,385	3,724,385
BALANCE AFTER ADJUSTMENT AS AT DECEMBER 31, 2014	72,005,040	20,833,734	6,347,639	6,062,309	33,210	126,860,323	232,142,255	3,724,393	235,866,648
EFFECT FROM TFRS 13 FAIR VALUE MEASUREMENT	-	-	-	-	-	(197,533)	(197,533)	-	(197,533)
BALANCE AFTER ADJUSTMENT AS AT JANUARY 1, 2015	72,005,040	20,833,734	6,347,639	6,062,309	33,210	126,662,790	231,944,722	3,724,393	235,669,115
DIVIDEND PAID	6.21	-	-	-	-	(12,584,254)	(12,584,254)	(357,968)	(12,942,222)
TOTAL COMPREHENSIVE INCOME	6.34	-	-	(2,723)	(1,758,586)	(38,408)	28,322,001	26,522,284	1,048,149
ENDING BALANCE AS AT DECEMBER 31, 2015	72,005,040	20,833,734	6,344,916	4,303,723	(5,198)	142,400,537	245,882,752	4,414,574	250,297,326
BALANCE AFTER ADJUSTMENT AS AT JANUARY 1, 2016	72,005,040	20,833,734	6,344,916	4,303,723	(5,198)	142,400,537	245,882,752	4,414,574	250,297,326
DIVIDEND PAID	6.21	-	-	-	-	(10,626,837)	(10,626,837)	(423,500)	(11,050,337)
TOTAL COMPREHENSIVE INCOME	6.34	-	-	2,022,419	5,162,867	(79,909)	31,568,042	38,673,419	1,226,535
ENDING BALANCE AS AT DECEMBER 31, 2016	72,005,040	20,833,734	8,367,335	9,466,590	(85,107)	163,341,742	273,929,334	5,217,609	279,146,943

NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

KRUNG THAI BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2016

(Thousand Baht)

THE BANK'S FINANCIAL STATEMENTS							
NOTE	ISSUED AND PAID-UP SHARE CAPITAL	PREMIUM ON SHARE CAPITAL	OTHER COMPONENTS OF EQUITY			RETAINED EARNINGS	TOTAL
			APPRAISAL SURPLUS (DEFICIT) ON ASSETS	REVALUATION SURPLUS (DEFICIT) ON INVESTMENTS	GAIN (LOSS) FROM TRANSLATING THE FINANCIAL STATEMENTS		
BEGINNING BALANCE AS AT JANUARY 1, 2015 (BEFORE RESTATED)	72,005,040	20,833,734	6,347,639	2,825,983	33,210	121,807,064	223,852,670
EFFECT FROM TFRS 13 FAIR VALUE MEASUREMENT	-	-	-	-	-	(197,533)	(197,533)
BALANCE AFTER ADJUSTMENT AS AT JANUARY 1, 2015	72,005,040	20,833,734	6,347,639	2,825,983	33,210	121,609,531	223,655,137
DIVIDEND PAID	6.21	-	-	-	-	(12,584,254)	(12,584,254)
TOTAL COMPREHENSIVE INCOME	6.34	-	(2,723)	(2,758,288)	(38,408)	26,200,068	23,400,649
ENDING BALANCE AS AT DECEMBER 31, 2015	72,005,040	20,833,734	6,344,916	67,695	(5,198)	135,225,345	234,471,532
BEGINNING BALANCE AS AT JANUARY 1, 2016	72,005,040	20,833,734	6,344,916	67,695	(5,198)	135,225,345	234,471,532
DIVIDEND PAID	6.21	-	-	-	-	(10,626,837)	(10,626,837)
TOTAL COMPREHENSIVE INCOME	6.34	-	2,022,419	5,379,507	(79,909)	29,288,029	36,610,046
ENDING BALANCE AS AT DECEMBER 31, 2016	72,005,040	20,833,734	8,367,335	5,447,202	(85,107)	153,886,537	260,454,741

NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

(Signed) Somchai Sujjapongse

SOMCHAI SUJJAPONGSE

CHAIRMAN OF THE BOARD OF DIRECTORS

(Signed) Payong Srivanich

PAYONG SRIVANICH

PRESIDENT

KRUNG THAI BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

	CONSOLIDATED		THE BANK'S	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2016	2015	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
OPERATING PROFIT BEFORE INCOME TAX EXPENSES	40,606,961	35,146,212	36,246,580	31,465,357
ADJUSTMENTS TO RECONCILE OPERATING PROFIT BEFORE INCOME TAX EXPENSES				
TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
DEPRECIATION AND AMORTIZATION EXPENSES	3,339,561	3,713,422	1,459,325	1,356,470
BAD DEBTS, DOUBTFUL ACCOUNTS AND LOSS ON IMPAIRMENT	33,429,379	30,541,508	26,996,155	23,999,849
SHARE OF PROFIT FROM INVESTMENTS FOR USING EQUITY METHOD	(3,083,147)	(3,038,174)	-	-
DIVIDEND RECEIVED FROM ASSOCIATES	2,206,235	2,513,552	-	-
LOSS (GAIN) ON DISPOSAL OF ASSETS	147,358	23,269	(475)	(508)
GAIN ON DISPOSAL OF INVESTMENTS	(670,322)	(593,939)	(670,322)	(593,939)
LOSS (GAIN) ON REVALUATION OF INVESTMENTS	26,096	(1,090,626)	26,096	(1,090,626)
LOSS (REVERSAL) ON IMPAIRMENT OF PROPERTIES FOR SALE	827,466	(88,400)	846,167	(16,243)
LOSS (REVERSAL) ON IMPAIRMENT OF INVESTMENTS	(24,253)	(54,190)	(24,251)	744,574
REVERSAL OF IMPAIRMENT OF PREMISES AND EQUIPMENT	(703,493)	-	(703,493)	-
REVERSAL OF IMPAIRMENT OF OTHER ASSETS	-	(7,956)	-	(7,956)
LOSS ON IMPAIRMENT OF OTHER ASSETS	49,101	61,421	49,101	61,421
AMORTIZATION OF DISCOUNT ON INVESTMENTS	(211,595)	(3,613,034)	(208,338)	(3,609,268)
LOSS (GAIN) ON FOREIGN CURRENCY TRANSLATION	1,658,724	(2,025,248)	1,658,786	(2,025,375)
INCREASE (DECREASE) IN PROVISIONS	(4,061,338)	83,470	(4,294,489)	(161,367)
DECREASE (INCREASE) IN OTHER ACCRUED INCOME	(82,995)	450,092	(27,634)	450,744
INCREASE IN OTHER ACCRUED EXPENSES	1,241,056	274,326	1,019,077	151,651
	74,694,794	62,295,705	62,372,285	50,724,784
INTEREST INCOME, NET	(86,965,831)	(80,867,855)	(75,473,141)	(70,564,820)
DIVIDEND INCOME	(481,744)	(407,648)	(3,561,154)	(3,591,414)
PROCEEDS FROM INTEREST INCOME	130,943,952	132,297,571	118,029,444	120,781,409
CASH PAID ON INTEREST EXPENSES	(43,825,712)	(51,511,662)	(42,352,644)	(49,879,051)
PROCEEDS FROM DIVIDEND INCOME	481,744	407,648	3,561,154	3,591,414
CASH PAID ON INCOME TAX EXPENSES	(5,029,927)	(8,176,525)	(3,933,799)	(7,256,964)
OPERATING INCOME BEFORE CHANGES IN				
OPERATING ASSETS AND LIABILITIES	69,817,276	54,037,234	58,642,145	43,805,358
(INCREASE) DECREASE IN OPERATING ASSETS				
INTERBANK AND MONEY MARKET ITEMS	(34,347,017)	59,280,517	(34,355,411)	59,292,813
INVESTMENTS IN TRADING SECURITIES	8,599,092	7,925,774	8,579,558	7,925,774
LOANS TO CUSTOMERS	101,586,374	(93,928,829)	117,952,325	(83,022,737)
PROPERTIES FOR SALE	5,616,984	3,597,111	5,575,077	3,368,270
OTHER ASSETS	3,546,249	(20,772,199)	3,844,837	(21,531,374)
INCREASE (DECREASE) IN OPERATING LIABILITIES				
DEPOSITS	(163,094,979)	(15,769,739)	(162,288,814)	(15,106,957)
INTERBANK AND MONEY MARKET ITEMS	8,923,470	27,027,908	16,009,805	16,926,547
LIABILITIES PAYABLE ON DEMAND	(1,038,645)	1,013,126	(1,038,645)	1,013,126
DEBT ISSUED AND SHORT-TERM BORROWINGS	(60,154)	(28,231,373)	(1,174)	(14,805,000)
OTHER LIABILITIES	(9,048,551)	24,800,189	(8,941,551)	25,869,533
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(9,499,901)	18,979,719	3,978,152	23,735,353

NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

KRUNG THAI BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2016

	CONSOLIDATED		THE BANK'S	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2016	2015	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES				
PURCHASES OF AVAILABLE FOR SALE SECURITIES	(114,193,503)	(181,569,209)	(114,193,503)	(181,569,209)
PROCEEDS FROM DISPOSAL OF AVAILABLE FOR SALE SECURITIES	107,902,226	188,681,319	107,902,226	188,681,319
PURCHASES OF HELD TO MATURITY DEBT SECURITIES	(6,711,625)	(50,485,141)	(5,890,528)	(49,784,443)
PROCEEDS FROM DISPOSAL OF HELD TO MATURITY DEBT SECURITIES	28,409,987	35,640,177	27,595,987	34,946,177
PURCHASES OF GENERAL INVESTMENTS	(348,458)	(443,983)	(348,458)	(443,983)
PROCEEDS FROM DISPOSAL OF GENERAL INVESTMENTS	288,485	542,756	288,485	542,756
PURCHASES OF INTANGIBLE ASSETS	(471,217)	(678,666)	(108,779)	(101,066)
PURCHASES OF PREMISES AND EQUIPMENT	(1,514,570)	(1,199,302)	(1,173,753)	(920,508)
PROCEEDS FROM DISPOSAL OF PREMISES AND EQUIPMENT	1,989,913	217,323	663	643
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	15,351,238	(9,294,726)	14,072,340	(8,648,314)
CASH FLOWS FROM FINANCING ACTIVITIES				
PROCEEDS FROM DEBT ISSUED AND LONG-TERM BORROWINGS	21,770,000	22,722,400	1,920,000	9,779,400
REPAYMENTS OF DEBT ISSUED AND LONG-TERM BORROWINGS	(16,278,288)	(23,084,600)	(8,628,288)	(15,534,600)
DIVIDEND PAID-ORDINARY SHARE	(10,621,807)	(12,578,454)	(10,621,807)	(12,578,454)
DIVIDEND PAID-PREFERRED SHARE	(5,030)	(5,800)	(5,030)	(5,800)
NET CASH USED IN FINANCING ACTIVITIES	(5,135,125)	(12,946,454)	(17,335,125)	(18,339,454)
LOSS ARISING FROM TRANSLATING THE FINANCIAL STATEMENTS OF FOREIGN OPERATIONS	(79,909)	(38,408)	(79,909)	(38,408)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	636,303	(3,299,869)	635,458	(3,290,823)
BEGINNING BALANCE OF CASH AND CASH EQUIVALENTS	71,470,113	74,769,982	71,294,408	74,585,231
ENDING BALANCE OF CASH AND CASH EQUIVALENTS	72,106,416	71,470,113	71,929,866	71,294,408

NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

(Signed) Somchai Sujjapongse
SOMCHAI SUJJAPONGSE
CHAIRMAN OF THE BOARD OF DIRECTORS

(Signed) Payong Srivanich
PAYONG SRIVANICH
PRESIDENT

KRUNG THAI BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED DECEMBER 31, 2016**

1. GENERAL INFORMATION

Krung Thai Bank Public Company Limited (the Bank) is a public company limited registered in the Kingdom of Thailand with its head office located at 35 Sukhumvit Road, Klongtoey Nua, Wattana, Bangkok. The Bank engages in commercial banking business and conducts its business through a nationwide branch network and in certain major centers of the world.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS**2.1 Basis of Preparation of the Consolidated and the Bank's Financial Statements**

The consolidated and the Bank's financial statements are presented in accordance with the Notification of the Bank of Thailand (BoT) No. SOR NOR SOR.21/2558 dated December 4, 2015, regarding the Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups, including any other supplementary BoT's notifications; and with the regulations of the Stock Exchange of Thailand (SET) dated January 22, 2001, regarding the Preparation and Submission of Financial Statements and Report on Financial Position and Results of Business Operations of Listed Companies, B.E. 2544 (2001). Moreover, these financial statements are prepared in conformity with generally accepted accounting principles, under Accounting Act B.E. 2543 (2000).

The Consolidated Financial Statements

The consolidated financial statements comprise the accounts of the Bank and its subsidiaries in which the Bank is a controlling interest or holds over 50 percent of paid-up shares capital after eliminating material intercompany transactions and balances. The 8 consolidated subsidiaries are KTB Law Co., Ltd., KTB General Services and Security Co., Ltd. (previously KTB General Services Co., Ltd.), Krung Thai Asset Management Pcl., KTB Computer Services Co., Ltd., KTB Leasing Co., Ltd., KTB Advisory Co., Ltd., KTB Capital Holding Co., Ltd. (registered as the business dissolution with the Ministry of Commerce on December 18, 2014, in the process of liquidation), and Krungthai Card Pcl. (has entity control).

Percentages of shareholdings and investments in the Bank's subsidiaries and associates are shown in Note 6.5.

Investments in associates are accounted in the consolidated financial statements using the equity method.

The Bank's Financial Statements

Investments in subsidiaries and associates are accounted in the Bank's financial statements using the cost method.

The Bank's financial statements for the years ended December 31, 2016 and 2015 included the accounts of domestic and foreign branches, after eliminating the effects of all interbranch transactions.

The English Translation of Financial Statements

This English translation of financial statement has been prepared from the statutory financial statements that were issued in Thai language. In case of a conflict or a difference in interpretation between the two languages, the Thai language statutory financial statements shall prevail.

2.2 Thai Accounting Standards (TAS) and Thai Financial Reporting Standards (TFRS) Effective in Current Period

The Bank has adopted Thai Accounting Standards (TAS), Thai Financial Reporting Standards (TFRS), TSIC Interpretations and TFRIC Interpretations that announced and revised in accordance with the Federation of Accounting Professions, those are effective for the financial statements of the periods beginning on or after January 1, 2016. The Bank's managements have already considered that they have no significant impacts on the Bank's accounting policies, and the Bank's and its subsidiaries' financial statements.

2.3 The New and Revised Thai Accounting Standards (TAS) and Thai Financial Reporting Standards (TFRS)

Announced but not yet Effective

The Federation of Accounting Professions has announced Thai Accounting Standards (TAS), Thai Financial Reporting Standards (TFRS), TSIC Interpretations and TFRIC Interpretations, those are effective for the financial statements periods beginning on or after January 1, 2017 as follows:

TAS 1 (revised 2016)	Presentation of Financial Statements
TAS 2 (revised 2016)	Inventories
TAS 7 (revised 2016)	Statement of Cash Flows
TAS 8 (revised 2016)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2016)	Events after the Reporting Period
TAS 11 (revised 2016)	Construction Contracts
TAS 12 (revised 2016)	Income Taxes
TAS 16 (revised 2016)	Property, Plant and Equipment
TAS 17 (revised 2016)	Leases
TAS 18 (revised 2016)	Revenue
TAS 19 (revised 2016)	Employee Benefits
TAS 20 (revised 2016)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2016)	The Effects of Changes in Foreign Exchange Rates
TAS 23 (revised 2016)	Borrowing Costs
TAS 24 (revised 2016)	Related Party Disclosures
TAS 26 (revised 2016)	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2016)	Separate Financial Statements
TAS 28 (revised 2016)	Investments in Associates and Joint Ventures
TAS 29 (revised 2016)	Financial Reporting in Hyperinflationary Economies
TAS 33 (revised 2016)	Earnings per Share
TAS 34 (revised 2016)	Interim Financial Reporting
TAS 36 (revised 2016)	Impairment of Assets
TAS 37 (revised 2016)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2016)	Intangible Assets
TAS 40 (revised 2016)	Investment Property
TAS 41 (revised 2016)	Agriculture
TAS 104 (revised 2016)	Accounting for Troubled Debt Restructuring
TAS 105 (revised 2016)	Accounting for Investments in Debt and Equity Securities
TAS 107 (revised 2016)	Financial Instruments Disclosure and Presentation

2.3 The New and Revised Thai Accounting Standards (TAS) and Thai Financial Reporting Standards (TFRS)

Announced but not yet Effective (Continued)

TFRS 2 (revised 2016)	Share-based Payment
TFRS 3 (revised 2016)	Business Combinations
TFRS 4 (revised 2016)	Insurance Contracts
TFRS 5 (revised 2016)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6 (revised 2016)	Exploration for and Evaluation of Mineral Resources
TFRS 8 (revised 2016)	Operating Segments
TFRS 10 (revised 2016)	Consolidated Financial Statements
TFRS 11 (revised 2016)	Joint Arrangements
TFRS 12 (revised 2016)	Disclosure of Interests in Other Entities
TFRS 13 (revised 2016)	Fair Value Measurement
TSIC 10 (revised 2016)	Government Assistance-No Specific Relation to Operating Activities
TSIC 15 (revised 2016)	Operating Leases-Incentives
TSIC 25 (revised 2016)	Income Taxes-Changes in the Tax Status of an Entity or its Shareholders
TSIC 27 (revised 2016)	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 29 (revised 2016)	Service Concession Arrangements : Disclosures
TSIC 31 (revised 2016)	Revenue-Barter Transactions Involving Advertising Services
TSIC 32 (revised 2016)	Intangible Assets-Web Site Costs
TFRIC 1 (revised 2016)	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4 (revised 2016)	Determining whether an Arrangement contains a Lease
TFRIC 5 (revised 2016)	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7 (revised 2016)	Applying the Restatement Approach under TAS 29 (revised 2016) Financial Reporting in Hyperinflationary Economies
TFRIC 10 (revised 2016)	Interim Financial Reporting and Impairment
TFRIC 12 (revised 2016)	Service Concession Arrangements
TFRIC 13 (revised 2016)	Customer Loyalty Programmes
TFRIC 14 (revised 2016)	TAS 19 (revised 2016) – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TFRIC 15 (revised 2016)	Agreements for the Construction of Real Estate
TFRIC 17 (revised 2016)	Distributions of Non-cash Assets to Owners
TFRIC 18 (revised 2016)	Transfers of Assets from Customers
TFRIC 20 (revised 2016)	Stripping Costs in the Production Phase of a Surface Mine
TFRIC 21 (revised 2016)	Levies

The Bank has been preparing for adopting related TAS, TFRS, TSIC Interpretations and TFRIC Interpretations mentioned above. The Bank's management has considered that there is no material impact on accounting policies and financial statements of the Bank and subsidiaries.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Recognition of Income

3.1.1 Interest Income

Interest income is recognized on an accrual basis, except for interest on loans classified as delinquent over 3 months and interest on loans under troubled debt restructuring contract which would be reversed. In accordance with the BoT's regulations, interest income on delinquent loans over 3 months from the due date already recognized as an income since January 1, 2000 would be reversed and recognized as income when received.

3.1.2 Fees and Service Income

Fees and Service Income is recognized when the related services are performed.

3.1.3 Dividend Income

Dividend income from investments is recognized when declared.

3.1.4 Lease Income

The lease income of the Bank and its subsidiaries is recognized as follows:

- Interest income from hire-purchase and financial lease is recognized by using effective interest rate throughout the term of the lease. Interest on defaulted lease over 4 months is ceased to recognize and reversed, except consumer financial defaulted lease over 3 months is ceased to recognize and reversed. Interest income will be recognized when received.
- Income from operating lease contract is recognized on a straight-line basis over the term of lease.

3.2 Recognition of Expenses

Interest expenses, fees and service expenses, and other operating expenses, are recognized on an accrual basis.

3.3 Cash and Cash Equivalents

Cash and cash equivalents represent cash in hand and cash on collection.

3.4 Derivatives

Accounting for derivative transactions depends on their purposes as follows:

1) Trading Derivatives

The Bank measures derivatives at fair value and recognizes gains or losses arising from changes in fair value in gains (losses) on tradings and foreign exchange transactions, net in the statements of profit or loss and other comprehensive income along with assets or liabilities in the statements of financial position.

2) Hedging Derivatives

The Bank measures derivatives with the same manner of the hedged items.

3.5 Embedded Derivatives

The Bank records accounting for embedded derivatives namely Credit Derivative and Structured Note in line with the IAS 39 Financial Instruments: Recognition and Measurement as follows:

1) For not closely related embedded derivatives, those could be separated from their host contracts; if the Bank is able to measure them separately; their gains (losses) will be recognized at fair value through gains (losses) on tradings and foreign exchange transactions, net in the statements of profit or loss and other comprehensive income. For the host contracts, the Bank will apply to related accounting standards. Conversely, the Bank is unable to measure the embedded derivatives separately, the Bank will revalue the entire combined contract and designate as trading booked at fair value through profit or loss, which also be recognized the gains or losses arising from changes in fair value in the statements of profit or loss and other comprehensive income.

2) For closely related embedded derivatives, the Bank will not separate them from their host contracts and will recognize the entire combined contract in accordance with related accounting standards.

3.6 Investments

3.6.1 Basis of Classification of Investments

The Bank and its subsidiaries classify their investments in debt securities and equity securities as trading securities, available-for-sale securities, held-to-maturity debt securities, or investments in subsidiaries and associates. Non-marketable equity securities are classified as general investments.

3.6.2 Basis of Valuation of Investments

Investments in marketable debt or equity securities classified as trading securities are stated at fair value. Unrealized gains or losses arising from the revaluation are recorded through gains (losses) on tradings and foreign exchange transactions, net in the statements of profit or loss and other comprehensive income.

Investments in marketable debt or equity securities classified as available-for-sale securities are stated at fair value, net of allowance for impairment (if any). Unrealized gains or losses arising from the revaluation are separately shown in equity and realized gains or losses after the disposal.

Investments in debt securities classified as held-to-maturity are stated at the amortized cost, net of allowance for impairment (if any). Premiums or discounts on held-to-maturity debt securities are adjusted to interest income at the end of each month by using the straight-line method which is immaterially different from using the effective interest rate method.

General investments are stated at cost, net of allowance for impairment (if any). Losses on impairment are realized through gains (losses) on investments, net in the statements of profit or loss and other comprehensive income.

Investments in marketable unit trust classified as trading and available-for-sale securities are stated at fair value whereas investments in non-marketable unit trust are stated at net asset value.

Investments in foreign asset-backed debt securities classified as trading securities-current investments are stated at fair value.

3.6 Investments (Continued)

3.6.2 Basis of Valuation of Investments (Continued)

Investments in subsidiaries and associates, shown in the Bank's financial statements, are accounted for by the cost method, net of allowance for impairment (if any). Moreover, investments in associates, shown in the consolidated financial statements, are accounted for by the equity method (the Bank uses financial information from unaudited/unreviewed financial statements of the associates).

The cost of disposed investments is calculated by the weighted-average method. Gains or losses on disposal of investments are presented in gains (losses) on investments, net in the statements of profit or loss and other comprehensive income, except for trading securities are presented in gains on tradings and foreign exchange transactions, net.

3.7 Loans

Loans represent the outstanding principal amounts, except for overdrafts including accrued interest receivables. Deferred revenue is presented as deduction from the loans.

Hire-purchase and financial lease receivables represent the outstanding amounts, less deferred interest receivables, and deferred commission, plus amortized direct expenses.

3.8 Allowance for Doubtful Accounts

The Bank and its subsidiaries which operate the loan provider business recognize allowance for doubtful accounts compliance with the BoT's Notification No. SOR NOR SOR.5/2559 dated June 10, 2016, regarding Regulations on Assets Classification and Provision of Financial Institutions based on the BoT's Regulations on Valuation and Appraisal of Collateral and Immovable Properties for Sale acquired through Debt Repayment, Loan Collateral or Public Auction of Financial Institution dated June 10, 2016 summarized as follows:

1) The Bank has set aside provision for normal and special mention categories at 1 percent and 2 percent, respectively, in accordance with the BoT's regulations. The Bank also applies collective approach to set aside provision for each debtor group, grouping by similar credit risk.

2) Provision for impaired-debtors is at 100 percent of the difference between the book value of loans and the present value of expected cash flows from the disposals of collateral as to the practice stipulated by the BoT.

3) Collateral using for calculating the present value of expected cash flows from disposals are such as immovable properties and leasehold rights (e.g. the present value of the expected cash flows from disposals of immovable properties which are collateral of debtors under the litigation process equal to 62.03 percent of the appraisal value and the present value of the expected cash flows from disposals of immovable properties which are collateral of debtors under the public auction process equal to 66.38 percent of the appraisal value). Other types of collateral are calculated by using the valuation rate stipulated by the BoT.

4) Collateral valuation has been conducted according to the BoT's regulations relating to types of collateral, valuation methodology, valuation frequency, and values of collateral that could be deductible from loans balances before provisioning as follows:

- As for normal and special mention categories, the underlying collateral is required to reappraise or revalue on a 3-year basis excluding collateral of credit lines of housing loans and other loans in the charge of retail business and network support team, will be reappraised or revalued when changed to sub-standard, doubtful and doubtful of loss, as well as the collateral which have been reappraised or revalued over the past 3 years.

3.8 Allowance for Doubtful Accounts (Continued)

- As for sub-standard, doubtful and doubtful of loss categories are required to reappraise or revalue collaterals by using the methods stipulated by the BoT. Immovable properties collaterals are required to reappraise or revalue on a 3-year basis as minimum. In case of near cash collateral such as marketable securities, is required to reappraise or revalue at the end of the accounting period.

Bad debts written-off and bad debts recovered are either deducted from or added to the allowance for doubtful accounts, whichever the case may be. The Bank defines debt write off guidelines which any debtors classified as doubtful of loss are written off at the underlying value of irrecoverable provision in line with the BoT's debt write off regulations.

3.9 Troubled Debt Restructuring and Losses on Troubled Debt Restructuring (TDR)

The Bank's debt restructuring methodology includes the reduction of principal and/or accrued interest receivables already recorded as revenue, interest rate reduction, debt-equity conversion or debt-convertible securities conversion, repayment period extension, debt type modification, grace period permission for principal and/or interest, collateral assets transfers, noncollateral assets transfers, and assets transfers with buy back contracts.

Losses arising from debt restructuring are determined as follows:

1) In case of relaxation of the debt repayment conditions without reducing of principal and accrued interest receivables prior to troubled debt, the present value of expected cash flow received is discounted by using the interest rate under the conditions specified in the TDR contract. Where such interest rate is lower than financial cost rate, the financial cost rate will be used instead. If the present value computed is lower than the book value (the principal amount plus accrued interest receivables included in the outstanding balance of restructured debt), an allowance for losses on troubled debt restructuring will be fully recognized in the statements of profit or loss and other comprehensive income for the relevant period.

The component of financial costs features the weighted average cost of deposits and borrowings, contributions to the BoT and the Deposit Protection Agency (DPA), and expenses incurred to maintain liquidity.

2) In case of debt repayment through the transfer of assets, financial instruments or debtors' equity from debt-equity conversion, the Bank has entirely written off. Losses on debt restructuring are charged to the statements of profit or loss and other comprehensive income instantly upon the transfer of assets considering together with the original allowance for doubtful accounts. Thus, the value of transferred assets shall be recorded not higher than the book value of the debt plus accrued interest receivables entitled by the Bank.

In case of partial debt repayment through the transfer of assets, financial instruments or debtors' equity from debt-equity conversion, the Bank's will follow no. 2) in the first place. For the remaining amount of debt, if there is the relaxation of the repayment condition, the Bank will follow no. 1).

3.10 Properties for Sale

Properties for sale are immovable and movable properties which are stated at lower of cost or market value less allowance for impairment (if any). Losses on impairment or reversal of losses on impairment are recognized as other operating expenses or income in the statements of profit or loss and other comprehensive income. Gains or losses on disposals of those properties after deducting selling expenses are recognized as other operating income or expenses in the statements of profit or loss and other comprehensive income.

3.10 Properties for Sale (Continued)

The Bank has followed the BoT's Notification No. SOR NOR SOR.20/2558 dated December 4, 2015, regarding Regulations on Accounting of Financial Institutions Section 1, Accounting for the Sales of Foreclosed Assets, SOR NOR SOR.5/2559 dated June 10, 2016, regarding Regulations on Assets Classification and Provision of Financial Institutions, SOR NOR SOR.22/2552 dated December 11, 2009, regarding Immovable Properties for Sale, and SOR NOR SOR.23/2552 dated December 11, 2009, regarding the Rules of the Purchase and Holding of Immovable Properties Used as Premises for the Business or as Facilities for its Officers and Employees of Financial Institutions.

According to the BoT's Policy No. THOR POR THOR. PHOR NOR SOR. (23) WOR.745/2559 dated June 10, 2016, regarding Delivery Policy of Appraisal Guarantee and Properties for Sale acquired through Debt Repayment, Loan Collateral or Public Auction of Financial Institutions, the properties for sale in the amount exceeding Baht 50 million are appraised by the external appraisers, and the amount of not exceeding Baht 50 million are considered to appraise by internal or external appraisers depending on the Bank.

3.11 Land, Premises, Equipment, and Depreciation

Land is presented at revalued amount. Premises and equipment are stated at cost less accumulated depreciation and allowance for impairment (if any). Land is revalued on a 3-5 year basis by independent appraisers in accordance with the BoT's regulations. In case that revaluation result decreased or decreased more than surplus on land revaluation which had been recognized in equity, the Bank will recognize deficit in the statements of profit or loss and other comprehensive income. In case that revaluation result increased, the Bank will recognize surplus through appraisal surplus on assets in equity. Except for the case that the Bank revalued decreased on land and already recognized loss in the statements of profit or loss and other comprehensive income, the Bank will recognize only surplus amounts that excess of the deficit amounts used to recognized of such land.

Depreciation of premises is calculated on the straight-line basis over their useful lives. Since April 1, 2012, depreciation of premises is calculated on the straight-line basis over their residual useful lives not over 50 years which appraised by independent expert appraisers. Before April 1, 2012, depreciation of premises is calculated on the straight-line basis over their useful lives of 20 years.

Depreciation of equipment is calculated on the straight-line basis over their useful lives of 5 years. Equipment with an acquisition cost not exceeding Baht 3,000 is charged directly to expense in the period of acquisition. The amounts of those transactions have no significant affect to the Bank's financial statements.

Depreciation method, useful lives, and residual value are annually reviewed.

Depreciation of premises and equipment in foreign countries is at the legal rates applicable in each locality.

3.12 Intangible Assets

Intangible assets, comprising software, licenses, and computer system development costs, are presented at cost net accumulated amortization and allowance for impairment (if any). Amortization is calculated by the straight-line basis and recognized as expense in the statements of profit or loss and other comprehensive income. Amortization of intangible assets in foreign countries is at the legal rates applicable in each locality.

3.13 Deferred Tax Assets or Liabilities

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding taxes basis used in the computation of taxable profit (tax base). The Bank recognized deferred tax assets arising from such temporary differences to the extent that it is probable that taxable profit will be available against those temporary differences could be utilized. The carrying amounts of deferred tax assets are reviewed at each reporting date and shall be reduced to the extent that the tax benefit will be realized.

The Bank and its subsidiaries recognize deferred tax in the statements of profit or loss and other comprehensive income, except for the extent that relates to items recognized in equity, shall be recognized directly in equity.

The Bank and its subsidiaries calculate amounts of deferred tax assets and liabilities by using tax rates enacted or substantively enacted at the reporting date.

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

3.14 Leaseholds

Leaseholds, which are included in other assets, are stated at cost less accumulated amortization. Amortization charge is calculated by the straight-line basis over the lease period between 3 – 30 years and recognized as expense in the statements of profit or loss and other comprehensive income.

3.15 Impairment of Assets

For outstanding balances of assets as at the end of period, the Bank and its subsidiaries review the impairment of assets by items when there is an indication that the book value of those assets is higher than the expected recoverable amounts. As such, losses on impairment will be realized as other operating expenses. The reversal of losses on impairment will be recorded only when there is an indication that such impairment no longer exists or shown at a declining balance, if any, and reversed to other operating income in the statements of profit or loss and other comprehensive income. Except for the case that reversal of the revalued increased of the same assets that used to be recognized in equity, when impairment occurred latterly it will be recognized in equity.

3.16 Foreign Currency Translation

3.16.1 Presentation Currency

The consolidated and the Bank's financial statements are presented in Baht.

3.16.2 Foreign Currency Translation

Items denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at the transaction dates. Balances of monetary assets and liabilities are translated by using the reference exchange rates of BoT as at the reporting date. Balances of non-monetary assets and liabilities are translated by using the exchange rates prevailing at the transaction dates or exchange rates at the date when the fair value was measured.

Gains or losses on foreign currency exchange and foreign currency translation are presented in the statements of profit or loss and other comprehensive income as gains (losses) on tradings and foreign exchange transactions, net.

3.16 Foreign Currency Translation (Continued)

3.16.3 Foreign Currency Translation of Foreign Branches' Financial Statements

Items on the foreign branches' statements of financial position are translated into Baht by using the reference exchange rates of BoT as at the reporting date. The statements of profit or loss and other comprehensive income are translated into Baht by using the exchange rate prevailing at the transaction dates or average exchange rates of that accounting period.

Gains or losses on translation of foreign branches' financial statements are presented in equity through other comprehensive income.

3.17 Employees Benefit

3.17.1 Employees Provident Fund

The Bank established a Provident Fund under the Provident Fund Act B.E. 2530 (1987) and entered to the registered fund approved by the Ministry of Finance in June 25, 1992. The Provident Fund is managed by an external fund manager.

Permanent employees of the Bank are entitled to apply for membership according to the registered KTB Provident Fund regulations. Employees could opt to contribute to the Fund at the rate of either 3, 6, 10, 12 or 15 percent of their basic salaries while the Bank's supplemental contribution is at 10 percent of each employees' basic salary.

3.17.2 Defined Benefit Plan

The Bank and its subsidiaries have defined benefit plan to pay their employees under the employment agreements. The estimate of employee benefits obligations are calculated by using the actuarial techniques called the Projected Unit Credit Method. This method uses statistical data as a factor to estimate the present value of expected future payments and discounts by using market yields on high quality corporate bonds with the approximate maturity of those obligations. The estimate amount is shown in a part of the provisions. The actuarial gains (losses) are recognized in other comprehensive income and transferred immediately to the retained earnings.

3.18 Unclaimed Balances

Unclaimed balances remaining dormancy for over 10 years are taken to other operating income at the end of the accounting period.

3.19 Income Taxes

Income taxes comprise of current tax and deferred tax.

Current tax is the amount expected to be paid to the tax authorities by calculating from taxable profit for the period under Revenue Code.

3.20 Earnings per Share

Basic earnings per share are calculated by dividing the net income by the number of weighted-average ordinary shares.

Diluted earnings per share are calculated by dividing the net income after deducting non-cumulative preferred dividend declared during the period by the number of weighted-average ordinary shares.

3.21 Provisions

The BoT's Notification No. SOR NOR SOR.5/2559 dated June 10, 2016, regarding Regulations on Assets Classification and Provision of Financial Institutions prescribed regulations to set aside provisions for off-the statements of financial position obligations in conformity with TAS 37 (revised 2015): Provisions, Contingent Liabilities and Contingent Assets. The Bank is required to set aside provisions for off-the statements of financial position obligations when satisfied all of the following criteria:

1) Off-the statements of financial position obligations classified as substandard, doubtful, doubtful of loss, and loss.

2) Off-the statements of financial position obligations which the Bank should recognize provisions according to TAS 37 (revised 2015), paragraph 14 when satisfied all of the following criteria:

2.1 A present obligation (a legal or a constructive obligation) resulting from past events could be a legal or a constructive obligation.

2.2 It is possibly certain that there will be a future outflow of resources embodying economic benefit to settle such obligation and

2.3 An estimate of obligation can be reliably made.

3) Off-the statements of financial position obligations engage in high credit risk such as guarantees on borrowings, aval to bills or irrevocable obligations whereby the Credit Conversion Factor stipulated by the BoT in calculating Capital Fund to be maintained is equal to 1.0.

3.22 Customer Loyalty Programme

The Bank and its subsidiaries have customer loyalty programme by offering reward points to customer together with services entitling customers to redeem those reward points to gifts or discount in the future. The Bank and its subsidiaries also allocate rewards or accrued rewards to the points by referring from fair value of accumulated points. Then, they are recognized to deferred revenue under “other liabilities” in the statements of financial position and shall be recognized to fees and service income when customers redeem.

3.23 Fair Value Measurement

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 at the measurement date. The Bank and its subsidiaries have considered fair value of individual financial instrument. Fair value of financial instruments are quoted price (unadjusted) for similar assets or liabilities in active markets that the Bank and its subsidiaries are able to access. In case of there is no quoted price in active markets, the Bank and its subsidiaries will use general accepted valuation technique by maximizing observable inputs and minimizing unobservable inputs in commonly used models or the Bank's models. Those models are approved by the management and also regularly reviewed and updated.

4. RISK MANAGEMENT

4.1 The Bank's Risk Information

Credit Risk

Credit risk is the risk that a counterparty or borrower fails to comply with conditions and covenants as stated in the mutual agreement or the deterioration of assets' quality resulting in non-repayment debts as set out in the loan contract and an adverse effect over the Bank's income and capital funds. The assets on the statements of financial position, net of allowance for doubtful accounts, represent the Bank's credit risk exposure.

The Bank concerns about the contingent credit risk as well as the credit quality, the appropriateness of borrowing objectives and repayment ability of the borrower. The Bank focuses on a credit expansion to both existing and new customers with high potentiality, low risks, and high yield. Moreover, the Bank shall closely evaluate and follow up situations both inside and outside country continually. The Bank also assesses the risks that may impact on solvency of the debtors in the Bank's loan portfolios. Then, the Bank classifies risk level, in order to notice credit department and set the loan policy guideline to prevent the debtors become NPLs. Moreover, the Bank has regularly improved credit risk management by reviewing/adjusting credit policies and other policies related to the credit risk management for the purpose of complying with economic situation and the Bank's business operation as well as being in consonant with risk management guidance prescribed by the BoT. These adaptive policies shall be practicable with credit offering in order to be flexible in the operation and consistent with the international standards.

The Bank develops Industry Rating and Business Alert (Outlook) report to set Industry Direction & Supply Chain for the credit consideration in order to increase efficiency in credit management.

The Bank manages credit risk management of the companies in financial business group of the Bank under the BoT's regulations. The credit risk management policies and guidelines of those companies are also reviewed/ improved annually and/or when significantly changed event occurs and affects credit risk management.

The Bank monitors and reports risk management results with the intention to control credit risk to be in compliance with the Bank's risk management plan, the BoT's supervision policy and other regulators' rules. The risk management results reports are normally submitted to the Risk Management Committee and the Audit Committee at least once a month and to the Board of Directors at least quarterly.

To follow up and manage the quality of credit, the Bank closely monitors the customers whose credits are approved in order to ensure that they are in comply with the terms and conditions of loan agreements by carrying out NPLs reduction project. The watch list debtors with weak performance will be monitored and controlled to prevent such loans becomes NPLs. However, in case those debtors become NPLs, the measure for debt restructuring shall be set up together with legal process. With this regards, the NPLs reduction project shall help stipulating the implementation plan to become clearer and more effective for the NPLs problem solving. Thus, the regular progress shall be reported regularly in order to expedite debt repayment with minimum loss.

In assessing the adequacy of provision as prescribed by the BoT, the Bank is required to examine the accuracy and completeness of loan classification, debt-restructuring and collateral data as type and value of collateral. Such associated data potentially has significant impacts on the allowance for doubtful accounts of the Bank.

According to assets written-off, the Bank has policy to write off any assets classified as doubtful of loss with 100 percent provision; however, the Bank still closely follow up uncollectible amounts or taken legal proceedings to the final action.

4.1 The Bank's Risk Information (Continued)

The credit review is established to ensure the compliance with standard operation procedures in relation to credit approval and debt restructuring. In addition, the qualitative assessment for loan and other related assets are conducted for loan classification as prescribed by the BoT.

Market Risk

Market risk is the risk that the Bank may be affected by changes in value of position on the statements of financial position and off-the statements of financial position which is caused by fluctuation of interest rate, foreign exchange rate, equity securities price and commodity price resulting in negative impact on income and capital. The Bank monitors and controls the market risk in the trading book and banking book portfolio by comparing the existing risks with the approved risk limits/indicators, conducting the approval processes for the breach of the limits/indicators and reporting to the executives and the Risk Management Committee regularly.

Interest Rate Risk

Interest rate risk is the risk that income or capital is adversely affected by changes in interest rate of the asset, liability and off-the statements of financial position items which are Rate Sensitive Items. These may have negative impact on Net Interest Income, Economic Value, market values of Trading Account, and other income and expenses related to interest rate.

The Bank's significant financial assets and liabilities classified by periods of interest rate repricing are as follows:

(Million Baht)

	December 31, 2016						
	Call to 1 month	1-3 Months	3-12 Months	Over 1 year	Non-interest Bearing	NPLs	Total
Financial assets							
Interbank and money market items	381,469.53	16,399.42	5,895.40	0.77	29,039.39	-	432,804.51
Investments*	728.69	12,369.71	28,540.11	154,407.53	19,397.74	-	215,443.78
Loans to customers	1,406,749.48	174,714.37	122,088.65	45,912.51	992.25	86,785.96	1,837,243.22
Total financial assets	1,788,947.70	203,483.50	156,524.16	200,320.81	49,429.38	86,785.96	2,485,491.51
Financial liabilities							
Deposits	1,308,356.19	191,314.47	241,422.93	141,076.31	92,987.77	-	1,975,157.67
Interbank and money market items	114,295.70	28,628.75	15,731.38	30,615.07	4,440.10	-	193,711.00
Debt issued and borrowings	0.70	5,155.00	15,133.32	58,978.84	-	-	79,267.86
Total financial liabilities	1,422,652.59	225,098.22	272,287.63	230,670.22	97,427.87	-	2,248,136.53

*Included investments in subsidiaries and associates (excluded trading securities, allowance for revaluation and impairment).

4.1 The Bank's Risk Information (Continued)

(Million Baht)

	December 31, 2015						
	Call to				Non-interest		
	<u>1 month</u>	<u>1-3 Months</u>	<u>3-12 Months</u>	<u>Over 1 year</u>	<u>Bearing</u>	<u>NPLs</u>	<u>Total</u>
Financial assets							
Interbank and money market items	353,893.03	10,380.88	8,035.81	-	25,873.83	-	398,183.55
Investments*	8,787.92	11,291.77	68,253.29	124,972.38	18,023.21	-	231,328.57
Loans to customers	1,448,573.83	194,391.89	195,389.95	58,728.12	896.08	71,847.55	1,969,827.42
Total financial assets	1,811,254.78	216,064.54	271,679.05	183,700.50	44,793.12	71,847.55	2,599,339.54
Financial liabilities							
Deposits	1,246,235.20	265,233.11	310,565.94	188,003.99	127,408.25	-	2,137,446.49
Interbank and money market items	108,511.19	10,522.16	6,185.35	47,566.12	4,916.38	-	177,701.20
Debt issued and borrowings	1,441.87	-	7,368.78	78,127.32	-	-	86,937.97
Total financial liabilities	1,356,188.26	275,755.27	324,120.07	313,697.43	132,324.63	-	2,402,085.66

*Included investments in subsidiaries and associates (excluded trading securities, allowance for revaluation and impairment).

Foreign Exchange Rate Risk

Foreign exchange rate risk is the risk that foreign exchange rate volatility giving adverse impact on income or capital due to having foreign currency transactions or having assets or liabilities in foreign currency, when converting all items on the Bank's financial statements to local currency, the book values decrease including decline of income or loss incurred from foreign exchange trading.

Equity Securities Price Risk

Equity securities price risk is the risk that income or capital is negatively affected by changes in equity securities prices. However, the Bank focuses on investing in potential securities which have growth performance and have opportunities to generate bank's return.

Commodity Price Risk

This is the risk that income or capital is adversely affected by changes in commodity price. The Bank conducts commodity derivative transactions to accommodate customer hedging of risk. The Bank eliminates those risk exposures by doing back-to-back transactions.

4.1 The Bank's Risk Information (Continued)

The Bank's Market Risk Management Structure and Supervision

The Bank has designated the Board of Directors and Risk Management Committee to formulate policy and market risk limit as follows:

Board of Directors

Board of Directors are responsible for the approval of market risk management policy and the limitation acceptance or threshold of Bank in order to control risk exposure that affects to the market risk and decentralized to relevant committees or responsible departments to supervise as appropriate.

Risk Management Committee – RMC

RMC is responsible for the determination of risk management policy to the Board of Directors, controlling, monitoring, assessing the result of risk management and supervising that the risk management policy and guidelines set by the Bank and the regulators have been implemented and observed.

The Bank has designated the Market Risk Management Department, an independent business unit from front office, to supervision risk in order to create transparency and efficiency. Moreover, it conforms to the BoT's market risk supervision regulations and the Bank's market risk management policy. Besides, the Market Risk Management Department is responsible to follow up and supervise market risk not exceeding the limit specified by the Bank. Then, it reports to top-level executives and RMC.

The Bank has set the risk management policy to be in line with the Bank's strategy and the BoT's market risk supervision regulations.

For transactions in trading accounts, the Bank set the maximum acceptable risk limit such as investment value/position, maximum loss, including statistic risk measurement namely Value at Risk (VaR) and Sensitivity for the trading book portfolio. The Bank also regularly assesses market value and conducts stress testing for both trading book portfolio and banking book portfolio. Besides, the Bank prepares Product Programme while enhancing applications and tools used in risk assessment and control for higher efficiency capable of accommodate more complex transactions.

The Bank regularly monitors the interest rate risk in the banking book portfolio by simulating the net interest income change and economic value change. The Bank also regularly conduct stress testing and closely monitor whenever there are some changes in the interest rate market movement that affects the bank significantly.

4.1 The Bank's Risk Information (Continued)

Market Risk Management Structure and Supervision of the Financial Business Group

The Bank has supervision of risk management of the financial business group and prescribes policy of risk management of the financial business group. The policy was approved by the Board of Directors determining the subsidiaries within the financial business group to complete all aspects of risk management in accordance with risk management policy which defines the organization chart that support the efficiency of risk management, including the determining of clearly authorization. The policy also determines the subsidiaries to complete and efficiently follow the monitoring process and internal control system by identifying, measuring, monitoring and controlling risk under the guideline prescribed in the risk management policy of the financial business group. Moreover, the subsidiaries are required to prepare their market risk management report and relating information for submission to the Bank in order that the Bank can monitor market risk and risk level of companies in the financial business group and assess effect to the Bank's capital.

The Bank's financial business group has decentralized risk management that means companies within the financial business group manage their own risk and the Bank will consider and comment the companies' key market risk indicators as appropriate.

Liquidity Risk

Liquidity risk is the risk that the Bank fails to repay liabilities or contingencies on due date because of inability to liquidate assets into cash or having insufficient funds or acquiring funds at a higher unacceptable cost thus affecting income and capital funds at present and in the future.

The Bank's Liquidity Risk Management Structure and Supervision

The Bank has designated the Board of Directors, Risk Management Committee, Assets and Liabilities Management Committee to prescribe policy and strategy of liquidity risk management as follows:

Board of Directors

Board of Directors is responsible for the approval of liquidity risk management policy, liquidity management plan and liquidity emergency plan and to approve the Bank's acceptable limit or trigger of liquidity risk.

Risk Management Committee – RMC

RMC is responsible for the determination of risk management policy to the Board of Directors, controlling, monitoring, assessing the result of risk management and supervising that the risk management policy and guidelines set by the Bank and the regulators have been implemented. RMC also submitted the operational report to the Audit Committee for acknowledgement and/or for considering on monthly basis and report to the Board of Directors for acknowledgement and/or for considering on quarterly basis.

Assets and Liabilities Management Committee – ALCO

ALCO is responsible for the determination of strategy to manage the Bank's assets, liabilities, and capital to be appropriate. ALCO monitors various external factors affecting the Bank's liquidity, specifies strategy to manage liquidity and interest rate risk and submits ALCO report to the Board of Executive Directors for acknowledgement and/or for considering.

4.1 The Bank's Risk Information (Continued)

Liquidity Risk Management Structure and Supervision of the Financial Business Group

The Bank has supervision of risk management of the financial business group and prescribes policy of risk management of the financial business group. The policy was approved by the Board of Directors determining the subsidiaries within the financial business group to complete all aspects of risk management in accordance with risk management policy which defines the organization chart that supports the efficiency of risk management, including the determining of clearly authorization. The policy also determines the subsidiaries to complete and efficiently follow the monitoring process and internal control system by identifying, measuring, monitoring and controlling risk under the guideline prescribed in the risk management policy of the financial business group. Moreover, the group is required to prepare liquidity position report and relating information for submission to the Bank in order that the Bank can monitor liquidity position and risk level of companies in the financial business group and assess effect to the Bank's liquidity.

The Bank's financial business group has decentralized risk management that means companies within the financial business group manage their own risk and the Bank will consider supporting their liquidity as appropriate.

Structure of Sources and Uses of Funds

Liquidity risk is the significant risk of commercial banks. The Bank's liquidity risk factors are the structure of sources and uses of funds. The Bank's sources of funds are from short-term deposits mostly less than one year including saving deposits, while uses of funds for lending have maturity date longer than the deposits. Therefore, the Bank's liquidity risk stems from asset to cash turning period not matching with liability's maturity date. Besides, cost of fund that higher than acceptable limit could affect to the Bank's income and capital at present and in the future.

Thus, liquidity risk management process of the Bank is liquidity trend analysis by estimating the Bank's liquidity status and Net high-quality liquid assets to net liquidity gap ratio in order to evaluate the sufficiency of liquidity assets that supported short-term capital demand. The Bank also assigns the trigger to control liquidity risk and consistency report risk to the Risk Management Committee, the executive officers, and related parties.

Liquidity Risk Management Tools

Liquidity risk management tools are presented in several reports related to the Bank's liquidity to top-level executives and relating departments in order to efficiently apply to use of liquidity risk management.

- The Bank prepares liquidity risk report to determine liquidity risk on a daily and monthly basis by comparing with the approved risk limit/indicators to manage and control the risk level to the prescribed limit.

- Net liquidity position report is prepared on a daily basis in the first 14 calendar days to present daily details by showing estimated cash inflow and outflow information adjusted according to customer behavior, preceding cash flow model together with future trend considerations adhere to realistic and conservative principles.

- Liquidity gap report presents estimates of future cash flows determined in accordance with the customer behavior assumptions in normal situation.

4.1 The Bank's Risk Information (Continued)

- Daily financial position report presents the Bank's liquid assets in terms of balance amount of daily average deposits with the BoT. The BoT's regulation requires maintaining sum of the average daily deposit balance and the average daily cash balance at the cash inventory management center not less than 1 percent of total customers' deposit and other specified borrowings. Moreover, the report demonstrates high quality liquid assets in each asset category reserved as an operating liquidity for the Bank's normal operations.

- Liquidity coverage ratio (LCR) Report is reported to the Risk Management Committee and the Assets and Liabilities Management Committee on a monthly basis in accordance with BoT's regulations. LCR is the liquidity risk measurement standard that aims to ensure that a bank has an adequate stock of unencumbered high quality liquid assets (HQLA) which consists of cash or assets that can be converted into cash at little or no loss of value in private markets to meet its liquidity needs for a 30 calendar day liquidity stress scenario.

- Simulation liquidity risk stress testing report is submitted to the Risk Management Committee on a quarterly basis.

Liquidity Risk Stress Testing

The Bank sets quarterly liquidity risk stress testing in conformity with the Bank's stress testing policy by using the 3 situations which are (1) Institution-specific crisis (2) Market-wide crisis and (3) Combination of both. Each situation is based on assumptions such as withdrawing customers' deposit in different proportion, declining in the market liquidity of assets, decreasing in ability to reach large-sized sources of funds. The Bank also prepares contingency plan to support crisis by considering to stress test result of each model situation. The contingency plan is set warning triggers of liquidity crisis in order that the Bank can reduce negative impact from liquidity problems that may occur with reasonable expenses/costs.

Liquidity Assets

As at December 31, 2016, the Bank's liquidity assets are totaling to Baht 29,235.90 million or 1.45 percent of average deposits and borrowing. Since 2016, the BoT specifies assets which can be liquidity assets, those comprised of current accounts deposited at the BoT and cash at Cash Center Banks. Moreover, it requires commercial banks to maintain average liquidity assets not less than 1 percent of average deposits and borrowings.

As at December 31, 2015, the Bank's liquidity assets are totaling to Baht 484,510.87 million or 22.24 percent of average deposits and borrowings. The BoT requires commercial banks to maintain average liquidity assets not less than 6 percent of average deposits and borrowings.

Sources and Uses of Funds

Sources and uses of funds as at December 31, 2016, the Bank and its subsidiaries' major sources of funds were deposits accounting for 73.34 percent of total funds. Other significant sources of funds included net interbank and money market items (liabilities) of 7.55 percent, debt issued and borrowings of 4.49 percent, and equity of 10.38 percent.

The Bank and its subsidiaries' uses of funds were loans to customers 70.80 percent of total uses of funds. Other significant uses of funds included net interbank and money market items (assets) of 16.05 percent and net investments of 9.01 percent.

4.1 The Bank's Risk Information (Continued)

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Sources of Funds		
Deposits	73.34%	75.85%
Interbank and money market items, net	7.55%	6.90%
Debt issued and borrowings	4.49%	4.13%
Equity	10.38%	8.89%
Uses of Funds		
Loans to customers	70.80%	72.01%
Interbank and money market items, net	16.05%	14.11%
Investments, net	9.01%	9.30%

Loans to Deposits Ratio

On the consolidated financial statements as at December 31, 2016, the Bank has loans to deposits ratio of 96.54 percent which has decreased from 94.94 percent as at December 31, 2015.

Loans to deposits ratio on the Bank's financial statements as at December 31, 2016 is 93.01 percent which has increased from 92.15 percent as at December 31, 2015. As a result of the reduction of the reduction of deposits decreasing 7.59 percent more than loans decreasing 6.73 percent from the end of the year 2015.

Considering to the loans to deposits ratio including bills of exchange on the Bank's financial statements as at December 31, 2016 is 92.64 percent which has increased from 91.86 percent as at December 31, 2015. As a result of the reduction of deposits including bills of exchange decreasing 7.51 percent more than loans decreasing 6.73 percent from the end of the year 2015.

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Loans to deposits ratio (Consolidated financial statements)	96.54%	94.94%
Loans to deposits ratio (The Bank's financial statements)	93.01%	92.15%
Loans to deposits ratio including bills of exchange (The Bank's financial statements)	92.64%	91.86%

As at December 31, 2016 and 2015, the Bank's financial assets and liabilities are classified by remaining maturity as follows:

(Million Baht)

	<u>December 31, 2016</u>					
	Less than	Over 3 Months				
	<u>1 Month</u>	<u>1-3 Months</u>	<u>upto 1 Year</u>	<u>Over 1 Year</u>	<u>No Maturity</u>	<u>Total</u>
Financial Assets						
Interbank and money market items, net	275,764.56	31,422.10	101,101.20	23,062.35	-	431,350.21
Investments, net*	-	-	58,816.44	167,876.71	10,664.59	237,357.74
Loans to customers	108,331.06	107,014.75	406,560.75	1,215,336.66	-	1,837,243.22
Total financial assets	384,095.62	138,436.85	566,478.39	1,406,275.72	10,664.59	2,505,951.17
Financial Liabilities						
Deposits	1,400,390.45	191,792.42	238,958.82	144,015.98	-	1,975,157.67
Interbank and money market items, net	118,730.17	26,837.34	17,528.31	30,615.18	-	193,711.00
Debt issued and borrowings	0.70	5,155.00	15,133.32	58,978.84	-	79,267.86
Total financial liabilities	1,519,121.32	223,784.76	271,620.45	233,610.00	-	2,248,136.53

*Included investments in subsidiaries and associates.

4.1 The Bank's Risk Information (Continued)

(Million Baht)

	December 31, 2015					
	Less than	Over 3 Months				
	<u>1 Month</u>	<u>1-3 Months</u>	<u>upto 1 Year</u>	<u>Over 1 Year</u>	<u>No Maturity</u>	<u>Total</u>
Financial Assets						
Interbank and money market items, net	218,787.84	35,654.20	108,535.89	34,083.45	-	397,061.38
Investments, net*	-	-	109,921.54	136,889.52	10,664.59	257,475.65
Loans to customers	92,767.13	120,327.69	439,568.97	1,317,163.63	-	1,969,827.42
Total financial assets	311,554.97	155,981.89	658,026.40	1,488,136.60	10,664.59	2,624,364.45
Financial Liabilities						
Deposits	1,371,936.02	265,834.18	308,943.22	190,733.07	-	2,137,446.49
Interbank and money market items, net	113,039.23	8,787.65	6,190.61	49,683.71	-	177,701.20
Debt issued and borrowings	1.87	-	7,368.78	79,567.32	-	86,937.97
Total financial liabilities	1,484,977.12	274,621.83	322,502.61	319,984.10	-	2,402,085.66

*Included investments in subsidiaries and associates.

4.2 Fair Value of Financial Instruments

(Million Baht)

	<u>Consolidated Financial Statements</u>			
	<u>December 31, 2016</u>		<u>December 31, 2015</u>	
	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair Value</u>
Financial Assets				
Cash	72,106.42	72,106.42	71,470.11	71,470.11
Interbank and money market items, net	431,638.41	431,638.41	397,357.97	397,357.97
Derivative assets	30,063.05	30,063.05	34,039.14	34,039.14
Investments, net*	242,265.22	242,878.39	261,732.04	262,413.73
Loans to customers and accrued interest receivables, net	1,798,578.14	1,798,578.14	1,947,384.82	1,947,384.82
Total financial assets	2,574,651.24	2,575,264.41	2,711,984.08	2,712,665.77
Financial Liabilities				
Deposits	1,972,403.53	1,972,403.53	2,135,498.51	2,135,498.51
Interbank and money market items, net	203,166.31	200,340.39	194,242.84	194,261.31
Liabilities payable on demand	5,082.47	5,082.47	6,121.12	6,121.12
Derivative liabilities	31,516.69	31,516.69	37,232.57	37,232.57
Debt issued and borrowings	120,690.86	113,974.42	116,240.46	117,766.15
Total financial liabilities	2,332,859.86	2,323,317.50	2,489,335.50	2,490,879.66

*Included investments in subsidiaries and associates.

4.2 Fair Value of Financial Instruments (Continued)

(Million Baht)

<u>The Bank's Financial Statements</u>				
	<u>December 31, 2016</u>		<u>December 31, 2015</u>	
	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair Value</u>
Financial Assets				
Cash	71,929.87	71,929.87	71,294.41	71,294.41
Interbank and money market items, net	431,350.21	431,350.21	397,061.38	397,061.38
Derivative assets	30,084.83	30,084.83	34,088.51	34,088.51
Investments, net*	237,357.74	263,440.26	257,475.65	277,728.05
Loans to customers and accrued interest receivables, net	1,738,973.35	1,738,973.35	1,897,770.78	1,897,770.78
Total financial assets	<u>2,509,696.00</u>	<u>2,535,778.52</u>	<u>2,657,690.73</u>	<u>2,677,943.13</u>
Financial Liabilities				
Deposits	1,975,157.67	1,975,157.67	2,137,446.49	2,137,446.49
Interbank and money market items, net	193,711.00	190,885.08	177,701.20	177,719.67
Liabilities payable on demand	5,082.47	5,082.47	6,121.12	6,121.12
Derivative liabilities	31,516.69	31,516.69	37,234.79	37,234.79
Debt issued and borrowings	79,267.86	72,551.42	86,937.97	88,463.66
Total financial liabilities	<u>2,284,735.69</u>	<u>2,275,193.33</u>	<u>2,445,441.57</u>	<u>2,446,985.73</u>

* Included investments in subsidiaries and associates.

4.3 Statutory Capital Fund

As at December 31, 2016 and 2015, the Bank calculated capital fund based on Basel III framework of the BoT. Since 2016, BoT required commercial banks registered in Thailand to maintain a capital conservation buffer in addition to the tier 1 capital fund ratios until completion of the increment to more than 2.5 percent of total risk weighted assets. It could be gradually increase and maintain the conservation buffer more than 0.625 percent per annum, beginning on January 1, 2016 onward until reaching full amounts on January 1, 2019.

Capital Fund Ratios to Risk Weighted Assets

	<u>2016</u>	<u>2015</u>
	BoT regulatory	BoT regulatory
	<u>minimum requirement</u>	<u>minimum requirement</u>
Tier 1 capital fund ratios - equity	5.125	4.5
Tier 1 capital fund ratios	6.625	6.0
Total capital fund ratios	9.125	8.5

4.3 Statutory Capital Fund (Continued)

The Bank also maintained capital fund and capital fund ratios to risk weighted assets in accordance with the BoT's regulations as follows:

	(Million Baht)	
	<u>Financial Business Group</u>	
	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Tier 1 capital fund - equity		
Paid-up share capital	72,005.04	72,005.04
Premium on share capital	20,833.74	20,833.74
Legal reserve	7,200.50	7,200.50
Net income after appropriation	140,137.84	121,607.68
Other components of equity	17,049.51	8,818.54
Deduction items from Tier 1 capital fund - equity	(8,938.83)	(9,974.19)
Tier 1 capital fund - financial instruments	1,036.48	8,856.95
Total tier 1 capital fund	<u>249,324.28</u>	<u>229,348.26</u>
Tier 2 capital fund		
Long-term subordinated debt	52,098.48	52,098.48
Allowance for assets classified as pass	21,783.56	23,397.47
Total tier 2 capital fund	<u>73,882.04</u>	<u>75,495.95</u>
Total capital fund	<u>323,206.32</u>	<u>304,844.21</u>

	(Million Baht)	
	<u>The Bank's Financial Statements</u>	
	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Tier 1 capital fund - equity		
Paid-up share capital	72,005.04	72,005.04
Premium on share capital	20,833.74	20,833.74
Legal reserve	7,200.50	7,200.50
Net income after appropriation	134,179.80	117,518.67
Other components of equity	14,019.78	6,928.34
Deduction items from Tier 1 capital fund - equity	(4,984.63)	(6,840.30)
Tier 1 capital fund - financial instruments	-	7,445.97
Total tier 1 capital fund	<u>243,254.23</u>	<u>225,091.96</u>
Tier 2 capital fund		
Long-term subordinated debt	52,098.48	52,098.48
Allowance for assets classified as pass	20,995.59	22,430.16
Total tier 2 capital fund	<u>73,094.07</u>	<u>74,528.64</u>
Total capital fund	<u>316,348.30</u>	<u>299,620.60</u>

4.3 Statutory Capital Fund (Continued)

	<u>Capital Fund Ratios to Risk Weighted Assets</u>			
	<u>Financial Business Group</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Tier 1 capital fund ratios - equity	12.75	10.74	12.96	11.06
Tier 1 capital fund ratios	12.81	11.17	12.96	11.43
Total capital fund ratios	16.60	14.85	16.85	15.22

The Bank discloses information about capital maintenance of the Bank and financial business group under the BoT's notifications on disclosure of capital maintenance for commercial banks and disclosure of capital maintenance for financial business group.

Channel of disclosure	www.ktb.co.th >Investor Relations>Financial Information>Pillar III Disclosures
Date of disclosure	April 30, 2017
Information as at	December 31, 2016

5. ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with the Thai financial reporting standards; requires managements to make estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from such estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised and in any future periods affected. Information about significant areas at estimation uncertainty and assumptions in applying accounting policies has significant effects on the amount recognized in the financial statements.

6. SUPPLEMENTARY INFORMATION**6.1 Supplementary Information of Cash Flows**

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

	(Million Baht)			
	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Increase (Decrease) in revaluation surplus on available-for-sale				
investments net income tax expenses	5,162.87	(1,758.59)	5,379.51	(2,758.29)
Increase in properties for sale from loan payment	12,179.94	2,770.45	12,179.94	2,770.45

6.2 Interbank and Money Market Items, Net (Assets)

(Million Baht)

Consolidated Financial Statements

	<u>December 31, 2016</u>			<u>December 31, 2015</u>		
	<u>Demand</u>	<u>Time</u>	<u>Total</u>	<u>Demand</u>	<u>Time</u>	<u>Total</u>
6.2.1 Domestic Items						
Bank of Thailand and						
Financial Institutions Development Fund	21,401.88	171,800.40	193,202.28	12,322.73	160,000.35	172,323.08
Commercial banks	297.79	34,841.55	35,139.34	273.95	12,369.72	12,643.67
Special purpose financial institutions	21.34	32,017.82	32,039.16	30.17	5,462.65	5,492.82
Other financial institutions	92.54	130,922.44	131,014.98	38.53	148,271.87	148,310.40
Total	21,813.55	369,582.21	391,395.76	12,665.38	326,104.59	338,769.97
<u>Add</u> Accrued interest receivables	-	281.06	281.06	-	319.10	319.10
<u>Less</u> Allowance for doubtful accounts	(1.00)	(1,756.18)	(1,757.18)	(0.27)	(1,423.82)	(1,424.09)
Total domestic items	21,812.55	368,107.09	389,919.64	12,665.11	324,999.87	337,664.98
6.2.2 Foreign Items						
US Dollar	9,929.93	24,715.74	34,645.67	7,054.90	40,334.93	47,389.83
Japanese Yen	3,032.45	-	3,032.45	8,394.50	-	8,394.50
Euro	263.14	-	263.14	211.56	-	211.56
Other currencies	1,670.22	2,085.46	3,755.68	1,844.95	1,869.33	3,714.28
Total	14,895.74	26,801.20	41,696.94	17,505.91	42,204.26	59,710.17
<u>Add</u> Accrued interest receivables	0.23	250.94	251.17	0.07	279.63	279.70
<u>Less</u> Deferred revenue	-	(1.33)	(1.33)	-	(1.01)	(1.01)
Allowance for doubtful accounts	-	(228.01)	(228.01)	-	(295.87)	(295.87)
Total foreign items	14,895.97	26,822.80	41,718.77	17,505.98	42,187.01	59,692.99
Total domestic and foreign items	36,708.52	394,929.89	431,638.41	30,171.09	367,186.88	397,357.97

6.2 Interbank and Money Market Items, Net (Assets) (Continued)

(Million Baht)

The Bank's Financial Statements

	<u>December 31, 2016</u>			<u>December 31, 2015</u>		
	<u>Demand</u>	<u>Time</u>	<u>Total</u>	<u>Demand</u>	<u>Time</u>	<u>Total</u>
6.2.1 Domestic Items						
Bank of Thailand and						
Financial Institutions Development Fund	21,401.88	171,800.40	193,202.28	12,322.73	160,000.35	172,323.08
Commercial banks	30.93	34,841.55	34,872.48	7.53	12,369.72	12,377.25
Special purpose financial institutions	-	32,017.82	32,017.82	-	5,462.65	5,462.65
Other financial institutions	92.54	130,922.44	131,014.98	38.53	148,271.87	148,310.40
Total	21,525.35	369,582.21	391,107.56	12,368.79	326,104.59	338,473.38
<u>Add</u> Accrued interest receivables	-	281.06	281.06	-	319.10	319.10
<u>Less</u> Allowance for doubtful accounts	(1.00)	(1,756.18)	(1,757.18)	(0.27)	(1,423.82)	(1,424.09)
Total domestic items	21,524.35	368,107.09	389,631.44	12,368.52	324,999.87	337,368.39
6.2.2 Foreign Items						
US Dollar	9,929.93	24,715.74	34,645.67	7,054.90	40,334.93	47,389.83
Japanese Yen	3,032.45	-	3,032.45	8,394.50	-	8,394.50
Euro	263.14	-	263.14	211.56	-	211.56
Other currencies	1,670.22	2,085.46	3,755.68	1,844.95	1,869.33	3,714.28
Total	14,895.74	26,801.20	41,696.94	17,505.91	42,204.26	59,710.17
<u>Add</u> Accrued interest receivables	0.23	250.94	251.17	0.07	279.63	279.70
<u>Less</u> Deferred revenue	-	(1.33)	(1.33)	-	(1.01)	(1.01)
Allowance for doubtful accounts	-	(228.01)	(228.01)	-	(295.87)	(295.87)
Total foreign items	14,895.97	26,822.80	41,718.77	17,505.98	42,187.01	59,692.99
Total domestic and foreign items	36,420.32	394,929.89	431,350.21	29,874.50	367,186.88	397,061.38

6.3 Derivatives Held for Trading**The Fair Values and the Notional Amounts Classified by Type of Risk**

(Million Baht)

<u>Consolidated Financial Statements</u>						
<u>Type of Risk</u>	<u>December 31, 2016</u>			<u>December 31, 2015</u>		
	<u>Fair Value</u>		Notional	<u>Fair Value</u>		Notional
	<u>Assets</u>	<u>Liabilities</u>		<u>Assets</u>	<u>Liabilities</u>	
Exchange rate	22,954.07	24,803.64	1,821,487.20	26,687.47	30,064.91	1,655,572.33
Interest rate	4,088.77	3,676.02	945,244.59	4,466.88	4,244.51	729,036.66
Others	3,020.21	3,037.03	81,077.83	2,884.79	2,923.15	91,132.79
Total	30,063.05	31,516.69	2,847,809.62	34,039.14	37,232.57	2,475,741.78

(Million Baht)

<u>The Bank's Financial Statements</u>						
<u>Type of Risk</u>	<u>December 31, 2016</u>			<u>December 31, 2015</u>		
	<u>Fair Value</u>		Notional	<u>Fair Value</u>		Notional
	<u>Assets</u>	<u>Liabilities</u>		<u>Assets</u>	<u>Liabilities</u>	
Exchange rate	22,954.06	24,803.64	1,821,487.20	26,687.63	30,067.13	1,655,818.68
Interest rate	4,110.56	3,676.02	947,082.35	4,516.09	4,244.51	732,469.36
Others	3,020.21	3,037.03	81,077.83	2,884.79	2,923.15	91,132.79
Total	30,084.83	31,516.69	2,849,647.38	34,088.51	37,234.79	2,479,420.83

The Proportion of Derivative Transactions Classified by Type of Counterparty based on the Notional Amounts

<u>Counterparty</u>	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
	<u>Proportion</u>	<u>Proportion</u>	<u>Proportion</u>	<u>Proportion</u>
Financial institutions	80.85%	77.59%	80.80%	77.47%
Financial business group	0.11%	0.12%	0.17%	0.27%
Third parties	19.04%	22.29%	19.03%	22.26%
Total	100.00%	100.00%	100.00%	100.00%

6.4 Investments, Net

(Million Baht)

Consolidated Financial Statements

	<u>December 31, 2016</u>				<u>December 31, 2015</u>			
	Cost/ <u>Amortized Cost</u>	Unrealized <u>Gains</u>	Unrealized <u>Losses</u>	<u>Fair Value</u>	Cost/ <u>Amortized Cost</u>	Unrealized <u>Gains</u>	Unrealized <u>Losses</u>	<u>Fair Value</u>
6.4.1 Trading Securities								
Government & state enterprise securities	15,217.38	13.51	(20.36)	15,210.53	21,474.55	17.48	(0.10)	21,491.93
Private enterprise debt securities	1,893.86	0.44	(1.71)	1,892.59	2,028.49	0.93	(0.68)	2,028.74
Foreign debt securities	-	-	-	-	4,758.06	0.35	-	4,758.41
Domestic marketable equity securities	-	-	-	-	0.03	-	-	0.03
Total	17,111.24	13.95	(22.07)	17,103.12	28,261.13	18.76	(0.78)	28,279.11
<u>Add (Less) Allowance for revaluation</u>	(8.12)				17.98			
Total	17,103.12			17,103.12	28,279.11			28,279.11
6.4.2 Available-for-Sale Securities								
Government & state enterprise securities	69,758.38	5.83	(757.37)	69,006.84	82,686.81	24.95	(1,144.17)	81,567.59
Private enterprise debt securities	3,819.54	9.37	(36.83)	3,792.08	2,834.93	24.69	(0.38)	2,859.24
Foreign debt securities	20,332.82	3.16	(39.06)	20,296.92	2,580.28	0.86	(4.63)	2,576.51
Domestic marketable equity securities	4,979.29	7,772.83	(169.89)	12,582.23	5,015.82	1,322.63	(209.58)	6,128.87
Foreign marketable equity securities	542.01	20.78	-	562.79	542.01	66.26	-	608.27
Total	99,432.04	7,811.97	(1,003.15)	106,240.86	93,659.85	1,439.39	(1,358.76)	93,740.48
<u>Add Allowance for revaluation</u>	6,809.00				84.62			
<u>Less Allowance for impairment</u>	(0.18)				(3.99)			
Total	106,240.86			106,240.86	93,740.48			93,740.48

6.4 Investments, Net (Continued)

(Million Baht)

Consolidated Financial Statements

	<u>December 31, 2016</u>				<u>December 31, 2015</u>			
	Cost/ Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cost/ Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
6.4.3 Held-to-Maturity Debt Securities								
Government & state enterprise securities	86,837.65	1,796.89	(1,257.08)	87,377.46	106,180.23	2,527.01	(2,098.25)	106,608.99
Private enterprise debt securities	2,692.12	73.25	(35.87)	2,729.50	3,147.52	82.19	(36.02)	3,193.69
Foreign debt securities	13,261.61	0.12	-	13,261.73	15,174.40	-	-	15,174.40
Total	102,791.38	1,870.26	(1,292.95)	103,368.69	124,502.15	2,609.20	(2,134.27)	124,977.08
<u>Less</u> Allowance for impairment	(35.87)				(206.76)			
Total	102,755.51			103,368.69	124,295.39			124,977.08
6.4.4 General Investments								
Domestic non-marketable equity securities	1,966.33	-	(1,182.88)	783.45	1,900.07	-	(1,207.13)	692.94
Foreign non-marketable equity securities	70.73	-	-	70.73	73.74	-	-	73.74
Others	0.90	-	-	0.90	-	-	-	-
Total	2,037.96	-	(1,182.88)	855.08	1,973.81	-	(1,207.13)	766.68
<u>Less</u> Allowance for impairment	(1,182.88)				(1,207.13)			
Total	855.08			855.08	766.68			766.68
Total investments, net	226,954.57			227,567.75	247,081.66			247,763.35

(Million Baht)

The Bank's Financial Statements

	<u>December 31, 2016</u>				<u>December 31, 2015</u>			
	Cost/ Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cost/ Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
6.4.1 Trading Securities								
Government & state enterprise securities	15,217.38	13.51	(20.36)	15,210.53	21,474.55	17.48	(0.10)	21,491.93
Private enterprise debt securities	1,913.39	0.44	(1.71)	1,912.12	2,028.49	0.93	(0.68)	2,028.74
Foreign debt securities	-	-	-	-	4,758.06	0.35	-	4,758.41
Domestic marketable equity securities	-	-	-	-	0.03	-	-	0.03
Total	17,130.77	13.95	(22.07)	17,122.65	28,261.13	18.76	(0.78)	28,279.11
<u>Add (Less)</u> Allowance for revaluation	(8.12)				17.98			
Total	17,122.65			17,122.65	28,279.11			28,279.11

6.4 Investments, Net (Continued)

(Million Baht)

The Bank's Financial Statements

	<u>December 31, 2016</u>				<u>December 31, 2015</u>			
	<u>Cost/ Amortized Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Cost/ Amortized Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
6.4.2 Available-for-Sale Securities								
Government & state enterprise securities	69,758.38	5.83	(757.37)	69,006.84	82,686.81	24.95	(1,144.17)	81,567.59
Private enterprise debt securities	3,819.54	9.37	(36.83)	3,792.08	2,834.93	24.69	(0.38)	2,859.24
Foreign debt securities	20,332.82	3.16	(39.06)	20,296.92	2,580.28	0.86	(4.63)	2,576.51
Domestic marketable equity securities	4,979.29	7,772.83	(169.89)	12,582.23	5,015.82	1,322.63	(209.58)	6,128.87
Foreign marketable equity securities	542.01	20.78	-	562.79	542.01	66.26	-	608.27
Total	99,432.04	7,811.97	(1,003.15)	106,240.86	93,659.85	1,439.39	(1,358.76)	93,740.48
Add Allowance for revaluation	6,809.00				84.62			
Less Allowance for impairment	(0.18)				(3.99)			
Total	106,240.86			106,240.86	93,740.48			93,740.48
6.4.3 Held-to-Maturity Debt Securities								
Government & state enterprise securities	86,556.74	1,796.89	(1,257.01)	87,096.62	105,909.68	2,526.24	(2,098.25)	106,337.67
Private enterprise debt securities	2,692.12	73.25	(35.87)	2,729.50	3,147.52	82.19	(36.02)	3,193.69
Foreign debt securities	13,261.61	0.12	-	13,261.73	15,174.40	-	-	15,174.40
Total	102,510.47	1,870.26	(1,292.88)	103,087.85	124,231.60	2,608.43	(2,134.27)	124,705.76
Less Allowance for impairment	(35.87)				(206.76)			
Total	102,474.60			103,087.85	124,024.84			124,705.76
6.4.4 General Investments								
Domestic non-marketable equity securities	1,966.28	-	(1,182.88)	783.40	1,900.02	-	(1,207.13)	692.89
Foreign non-marketable equity securities	70.73	-	-	70.73	73.74	-	-	73.74
Others	0.90	-	-	0.90	-	-	-	-
Total	2,037.91	-	(1,182.88)	855.03	1,973.76	-	(1,207.13)	766.63
Less Allowance for impairment	(1,182.88)				(1,207.13)			
Total	855.03			855.03	766.63			766.63
Total investments, net	226,693.14			227,306.39	246,811.06			247,491.98

6.4 Investments, Net (Continued)

As at December 31, 2015, held-to-maturity debt securities in government and state enterprise securities included promissory notes issued by the Thai Asset Management Corporation (TAMC) paid for the transfer of the Bank's impaired assets of Baht 2,653.48 million already due in 2011. Such promissory notes were offset with losses on impaired assets management on December 16, 2016 (Note 6.35).

As at December 31, 2016 and 2015, general investments which are domestic non-marketable equity securities of Baht 1,966.28 million and Baht 1,900.02 million respectively, included investments in the Islamic Bank of Thailand of Baht 1,048.15 million which the Bank reserved the full amount of allowance for impairment.

As at December 31, 2016 and 2015, the Bank had investments in foreign securities affected by foreign exchange rate, resulting in a decrease of the carrying amount of Baht 86.94 million and an increase of Baht 756.39 million, respectively.

In addition, the Bank has acquired the investments in other securities, whereby the Bank holds for equal to or over 10 percent of the paid-up capital, classified into industrial sector and stated at their fair value as follows:

	(Million Baht)	
	<u>Consolidated and The Bank's Financial Statements</u>	
	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Manufacturing	1.00	1.00
Public utilities and services	1,737.48	1,364.87
Others	23.11	23.11
Total	<u>1,761.59</u>	<u>1,388.98</u>

6.4.5 As at December 31, 2016, the Bank has investments in 2 listed companies in which their financial position and performance fall under SET's delisted criteria, cost of Baht 0.10 million which are reserved full amount of allowance for impairment.

6.5 Investments in Subsidiaries and Associates, Net**6.5.1 The Bank's Financial Statements**

(Million Baht)

December 31, 2016					
Name of Company	Type of Business	Type of Shares	Percentages of	Investments	Dividend
			Shareholdings	(Cost Method)	
Subsidiaries					
KTB Law Co., Ltd.	Legal Services	Ordinary	100.00	30.00	15.00
KTB General Services and Security Co., Ltd.	General Services	Ordinary	100.00	140.00	205.80
Krung Thai Asset Management Pcl.	Securities Business	Ordinary	100.00	210.90	205.00
KTB Computer Services Co., Ltd.	IT Services	Ordinary	100.00	1,300.00	13.00
KTB Leasing Co., Ltd.*	Hire Purchase	Ordinary	100.00	1,000.00	-
KTB Capital Holding Co., Ltd.**	Holding	Ordinary	100.00	1.00	-
KTB Advisory Co., Ltd.	Financial Counseling & Advisory Services	Ordinary	100.00	40.00	20.00
Krungthai Card Pcl.***	Credit Card Business	Ordinary	49.45	1,994.60	414.38
Total				4,716.50	873.18
Less Allowance for impairment****				(798.77)	
Total				3,917.73	873.18
Associates					
Krungthai-AXA Life Insurance Pcl.	Life Insurance	Ordinary	50.00	4,071.77	1,875.00
Krungthai Panich Insurance Pcl.	Non-Life Insurance	Ordinary	45.00	1,518.82	158.40
Krung Thai IBJ Leasing Co., Ltd.	Hire Purchase	Ordinary	49.00	87.38	34.20
KT Zmico Securities Co., Ltd.	Securities Business	Ordinary	50.00	1,068.89	138.63
Total				6,746.86	2,206.23
Investments in subsidiaries and associates, net				10,664.59	3,079.41

6.5 Investments in Subsidiaries and Associates, Net (Continued)**6.5.1 The Bank's Financial Statements (Continued)**

(Million Baht)

December 31, 2015					
Name of Company	Type of Business	Type of Shares	Percentages of	Investments	
			Shareholdings	(Cost Method)	Dividend
Subsidiaries					
KTB Law Co., Ltd.	Legal Services	Ordinary	100.00	30.00	-
KTB General Services and Security Co., Ltd.	General Services	Ordinary	100.00	140.00	159.95
Krung Thai Asset Management Pcl.	Securities Business	Ordinary	100.00	210.90	150.00
KTB Computer Services Co., Ltd.	IT Services	Ordinary	100.00	1,300.00	-
KTB Leasing Co., Ltd.*	Hire Purchase	Ordinary	100.00	1,000.00	-
KTB Capital Holding Co., Ltd.**	Holding	Ordinary	100.00	1.00	-
KTB Advisory Co., Ltd.	Financial Counseling & Advisory Services	Ordinary	100.00	40.00	9.64
Krungthai Card Pcl.***	Credit Card Business	Ordinary	49.45	1,994.60	350.63
Total				4,716.50	670.22
Less Allowance for impairment****				(798.77)	
Total				3,917.73	670.22
Associates					
Krungthai-AXA Life Insurance Pcl.	Life Insurance	Ordinary	50.00	4,071.77	2,100.00
Krungthai Panich Insurance Pcl.	Non-Life Insurance	Ordinary	45.00	1,518.82	158.40
Krung Thai IBJ Leasing Co., Ltd.	Hire Purchase	Ordinary	49.00	87.38	37.48
KT Zmico Securities Co., Ltd.	Securities Business	Ordinary	50.00	1,068.89	217.67
Total				6,746.86	2,513.55
Investments in subsidiaries and associates, net				10,664.59	3,183.77

* Under consideration of business restructuring plan.

** Registered as the business dissolution on December 18, 2014 and withdraw from the financial business group.

*** The Bank has entity control.

**** Allowance for impairment in subsidiaries occurs from cost higher than book value.

6.5 Investments in Subsidiaries and Associates, Net (Continued)**6.5.2 The Consolidated Financial Statements**

(Million Baht)

			<u>December 31, 2016</u>		
<u>Name of Company</u>	<u>Type of Business</u>	<u>Type of Shares</u>	Percentages of <u>Shareholdings</u>	Investments <u>(Cost Method)</u>	Investments <u>(Equity Method)</u>
Associates					
Krungthai-AXA Life Insurance Pcl.	Life Insurance	Ordinary	50.00	593.57	10,893.64
Krungthai Panich Insurance Pcl.	Non-Life Insurance	Ordinary	45.00	971.30	2,614.41
Krung Thai IBJ Leasing Co., Ltd.	Hire Purchase	Ordinary	49.00	87.38	577.29
KT Zmico Securities Co., Ltd.	Securities Business	Ordinary	50.00	1,068.89	1,225.31
Total investments in associates, net				2,721.14	15,310.65

(Million Baht)

			<u>December 31, 2015</u>		
<u>Name of Company</u>	<u>Type of Business</u>	<u>Type of Shares</u>	Percentages of <u>Shareholdings</u>	Investments <u>(Cost Method)</u>	Investments <u>(Equity Method)</u>
Associates					
Krungthai-AXA Life Insurance Pcl.	Life Insurance	Ordinary	50.00	593.57	10,636.05
Krungthai Panich Insurance Pcl.	Non-Life Insurance	Ordinary	45.00	971.30	2,320.28
Krung Thai IBJ Leasing Co., Ltd.	Hire Purchase	Ordinary	49.00	87.38	530.21
KT Zmico Securities Co., Ltd.	Securities Business	Ordinary	50.00	1,068.89	1,163.83
Total investments in associates, net				2,721.14	14,650.37

Investments in associates are accounted in the consolidated financial statements using the equity method based on financial information from unaudited/unreviewed financial statements of the associates.

6.5.3 Financial Positions and Operations of Associates

(Million Baht)

<u>Consolidated Financial Statements</u>						
<u>December 31, 2016</u>			<u>December 31, 2015</u>			
<u>"Unaudited"</u>			<u>"Audited"</u>			
<u>Name of Company</u>	<u>Total Assets</u>	<u>Total Liabilities</u>	<u>Shareholders' Equity</u>	<u>Total Assets</u>	<u>Total Liabilities</u>	<u>Shareholders' Equity</u>
Krung Thai IBJ Leasing Co., Ltd.	9,030.96	7,852.81	1,178.15	7,372.60	6,291.02	1,081.58
KT Zmico Securities Co., Ltd.	10,721.52	8,270.91	2,450.61	6,390.20	4,052.89	2,337.31
Krungthai Panich Insurance Pcl.	8,846.23	3,036.44	5,809.79	8,457.42	3,334.69	5,122.73
Krungthai-AXA Life Insurance Pcl.	201,044.95	179,257.67	21,787.28	170,559.77	149,293.22	21,266.55
	229,643.66	198,417.83	31,225.83	192,779.99	162,971.82	29,808.17

6.5 Investments in Subsidiaries and Associates, Net (Continued)**6.5.3 Financial Positions and Operations of Associates (Continued)**

(Million Baht)

Name of Company	Consolidated Financial Statements			
	December 31, 2016		December 31, 2015	
	"Unaudited"		"Audited"	
	Total Income	Net Profit (Loss)	Total Income	Net Profit (Loss)
Krung Thai IBJ Leasing Co., Ltd.	729.36	166.37	520.97	139.66
KT Zmico Securities Co., Ltd.	2,074.98	405.44	1,676.18	208.29
Krungthai Panich Insurance Pcl.	2,943.91	600.02	3,038.55	586.68
Krungthai-AXA Life Insurance Pcl.	62,962.01	5,114.65	60,603.11	5,163.15
	<u>68,710.26</u>	<u>6,286.48</u>	<u>65,838.81</u>	<u>6,097.78</u>

6.6 Loans to Customers and Accrued Interest Receivables, Net**6.6.1 Classified by Type of Loans**

(Million Baht)

	Consolidated Financial Statements		The Bank's Financial Statements	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Overdrafts	170,948.74	169,685.27	170,948.74	169,685.27
Loans	1,294,499.04	1,365,738.42	1,258,147.90	1,352,350.50
Bills	398,860.88	438,972.98	406,420.88	446,452.97
Hire purchase receivables	33,065.85	46,299.18	4.54	19.65
Financial lease receivables	7,742.24	9,659.13	-	-
Others	2,705.20	2,895.50	1,721.16	1,319.03
<u>Less</u> Deferred revenue	<u>(3,733.25)</u>	<u>(5,810.00)</u>	<u>(122.92)</u>	<u>(165.76)</u>
Total loans to customers net of deferred revenue	1,904,088.70	2,027,440.48	1,837,120.30	1,969,661.66
<u>Add</u> Accrued interest receivables	<u>5,270.68</u>	<u>5,900.90</u>	<u>4,774.56</u>	<u>5,462.81</u>
Total loans to customers net of deferred revenue, plus accrued interest receivables	1,909,359.38	2,033,341.38	1,841,894.86	1,975,124.47
<u>Less</u> Allowance for doubtful accounts				
1. Minimum reserve under BoT's regulations				
Individual approach	(84,302.74)	(57,979.33)	(82,639.69)	(55,397.83)
Collective approach	(4,010.43)	(3,957.69)	-	-
2. Excess allowance	(22,406.45)	(23,886.91)	(20,220.20)	(21,823.23)
<u>Less</u> Revaluation allowance for debt restructuring	<u>(61.62)</u>	<u>(132.63)</u>	<u>(61.62)</u>	<u>(132.63)</u>
Total loans to customers, net	<u>1,798,578.14</u>	<u>1,947,384.82</u>	<u>1,738,973.35</u>	<u>1,897,770.78</u>

As at December 31, 2016 and 2015, the Bank's other loans of Baht 1,721.16 million and Baht 1,319.03 million included debts resulting from the Bank's liabilities under acceptances or guarantees of Baht 1,646.99 million and Baht 1,267.36 million, respectively.

6.6 Loans to Customers and Accrued Interest Receivables, Net (Continued)**6.6.2 Classified by Currency and Customer's Residence**

(Million Baht)

	<u>Consolidated Financial Statements</u>					
	<u>December 31, 2016</u>			<u>December 31, 2015</u>		
	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
Thai Baht	1,792,770.33	5.80	1,792,776.13	1,915,145.64	10.60	1,915,156.24
US Dollar	69,582.56	31,510.69	101,093.25	74,085.50	25,364.65	99,450.15
Other currencies	10,147.36	71.96	10,219.32	12,770.04	64.05	12,834.09
Total	1,872,500.25	31,588.45	1,904,088.70	2,002,001.18	25,439.30	2,027,440.48

(Million Baht)

	<u>The Bank's Financial Statements</u>					
	<u>December 31, 2016</u>			<u>December 31, 2015</u>		
	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
Thai Baht	1,725,801.93	5.80	1,725,807.73	1,857,366.82	10.60	1,857,377.42
US Dollar	69,582.56	31,510.69	101,093.25	74,085.50	25,364.65	99,450.15
Other currencies	10,147.36	71.96	10,219.32	12,770.04	64.05	12,834.09
Total	1,805,531.85	31,588.45	1,837,120.30	1,944,222.36	25,439.30	1,969,661.66

6.6.3 Classified by Business Types and Loan Classification

(Million Baht)

	<u>Consolidated Financial Statements</u>					
	<u>December 31, 2016</u>					
	<u>Normal</u>	<u>Special Mention</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Doubtful of Loss</u>	<u>Total</u>
Agriculture and mining	38,500.32	709.91	201.63	522.77	864.72	40,799.35
Manufacturing and commercial	500,018.36	34,910.32	5,311.79	6,436.80	27,527.34	574,204.61
Real estate and construction	109,088.22	7,104.43	718.16	1,853.40	8,416.61	127,180.82
Public utilities and services	237,383.95	15,281.84	2,568.43	2,998.21	5,768.78	264,001.21
Housing loans	338,321.25	6,211.63	3,214.09	3,000.13	11,022.30	361,769.40
Others	519,569.43	5,860.81	2,137.74	2,205.41	6,359.92	536,133.31
Total	1,742,881.53	70,078.94	14,151.84	17,016.72	59,959.67	1,904,088.70

6.6 Loans to Customers and Accrued Interest Receivables, Net (Continued)**6.6.3 Classified by Business Types and Loan Classification (Continued)**

(Million Baht)

Consolidated Financial StatementsDecember 31, 2015

	<u>Normal</u>	<u>Special Mention</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Doubtful of Loss</u>	<u>Total</u>
Agriculture and mining	38,533.31	328.68	198.68	238.77	782.30	40,081.74
Manufacturing and commercial	521,107.19	22,775.14	10,108.58	9,557.61	14,169.30	577,717.82
Real estate and construction	131,323.46	3,933.13	608.96	1,768.97	9,195.34	146,829.86
Public utilities and services	373,817.33	12,848.17	2,416.66	1,882.45	3,756.51	394,721.12
Housing loans	364,053.73	5,267.53	3,157.94	3,260.85	6,210.28	381,950.33
Others	470,399.45	6,682.40	2,231.18	2,295.18	4,531.40	486,139.61
Total	1,899,234.47	51,835.05	18,722.00	19,003.83	38,645.13	2,027,440.48

(Million Baht)

The Bank's Financial StatementsDecember 31, 2016

	<u>Normal</u>	<u>Special Mention</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Doubtful of Loss</u>	<u>Total</u>
Agriculture and mining	37,725.14	673.65	198.41	499.38	844.23	39,940.81
Manufacturing and commercial	493,212.56	34,444.13	5,163.22	6,276.31	27,235.31	566,331.53
Real estate and construction	106,526.91	6,995.96	625.33	1,800.39	8,320.79	124,269.38
Public utilities and services	230,984.42	14,956.64	1,959.66	2,794.07	5,665.26	256,360.05
Housing loans	338,321.25	6,211.63	3,214.09	3,000.13	11,022.30	361,769.40
Others	476,992.51	3,289.55	1,684.47	1,967.06	4,515.54	488,449.13
Total	1,683,762.79	66,571.56	12,845.18	16,337.34	57,603.43	1,837,120.30

(Million Baht)

The Bank's Financial StatementsDecember 31, 2015

	<u>Normal</u>	<u>Special Mention</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Doubtful of Loss</u>	<u>Total</u>
Agriculture and mining	37,488.74	261.70	178.47	232.25	776.90	38,938.06
Manufacturing and commercial	511,970.19	22,543.13	9,979.76	9,414.77	14,043.50	567,951.35
Real estate and construction	128,255.51	3,772.54	561.89	1,700.62	9,158.73	143,449.29
Public utilities and services	364,973.07	12,688.35	2,317.76	1,806.56	3,720.15	385,505.89
Housing loans	364,053.73	5,267.53	3,157.94	3,260.85	6,210.28	381,950.33
Others	443,259.40	3,280.21	1,540.76	1,899.02	1,887.35	451,866.74
Total	1,850,000.64	47,813.46	17,736.58	18,314.07	35,796.91	1,969,661.66

6.6 Loans to Customers and Accrued Interest Receivables, Net (Continued)**6.6.4 Classified by Loan Classification**

(Million Baht)

<u>Consolidated Financial Statements</u>				
<u>December 31, 2016</u>				
	Net Amount	%		
Loans and Accrued Interest <u>Receivables</u>	Used for Set aside the Allowance for <u>Doubtful Accounts</u> ¹	Used for Set aside the Allowance for <u>Doubtful Accounts</u> ²	Allowance for Doubtful <u>Accounts</u>	
1. Minimum reserve under BoT's regulations				
Normal	1,747,553.39	887,489.96	1	16,062.69
Special mention	70,527.65	27,223.69	2	21,790.10
Substandard	14,156.39	6,714.81	100	6,784.86
Doubtful	17,059.06	8,778.08	100	9,059.46
Doubtful of loss	60,062.89	27,194.77	100	34,616.06
2. Excess allowance				22,406.45
Total	1,909,359.38	957,401.31		110,719.62

(Million Baht)

<u>Consolidated Financial Statements</u>				
<u>December 31, 2015</u>				
	Net Amount	%		
Loans and Accrued Interest <u>Receivables</u>	Used for Set aside the Allowance for <u>Doubtful Accounts</u> ¹	Used for Set aside the Allowance for <u>Doubtful Accounts</u> ²	Allowance for Doubtful <u>Accounts</u>	
1. Minimum reserve under BoT's regulations				
Normal	1,904,474.38	911,787.92	1	15,163.11
Special mention	52,246.00	24,455.63	2	11,014.83
Substandard	18,724.70	8,962.59	100	8,975.04
Doubtful	19,083.34	9,696.14	100	9,715.25
Doubtful of loss	38,812.96	12,461.90	100	17,068.79
2. Excess allowance				23,886.91
Total	2,033,341.38	967,364.18		85,823.93

(Million Baht)

<u>The Bank's Financial Statements</u>				
<u>December 31, 2016</u>				
	Net Amount	%		
Loans and Accrued Interest <u>Receivables</u>	Used for Set aside the Allowance for <u>Doubtful Accounts</u> ¹	Used for Set aside the Allowance for <u>Doubtful Accounts</u> ²	Allowance for Doubtful <u>Accounts</u>	
1. Minimum reserve under BoT's regulations				
Normal	1,687,953.47	858,559.84	1	14,126.11
Special mention	67,008.34	25,605.38	2	21,232.11
Substandard	12,845.26	6,138.19	100	6,208.25
Doubtful	16,337.39	8,442.16	100	8,723.54
Doubtful of loss	57,750.40	24,928.40	100	32,349.68
2. Excess allowance				20,220.20
Total	1,841,894.86	923,673.97		102,859.89

6.6 Loans to Customers and Accrued Interest Receivables, Net (Continued)**6.6.4 Classified by Loan Classification (Continued)**

(Million Baht)

	<u>The Bank's Financial Statements</u>			
	<u>December 31, 2015</u>			
	Net Amount		%	
	Loans and Accrued Interest <u>Receivables</u>	Used for Set aside the Allowance for <u>Doubtful Accounts</u> ¹	Used for Set aside the Allowance for <u>Doubtful Accounts</u>	Allowance for Doubtful <u>Accounts</u>
1. Minimum reserve under BoT's regulations				
Normal	1,854,818.37	904,151.53	1	13,190.30
Special mention	48,212.45	22,878.69	2	10,240.94
Substandard	17,736.65	8,400.72	100	8,413.17
Doubtful	18,393.58	9,313.53	100	9,332.64
Doubtful of loss	35,963.42	9,613.89	100	14,220.78
2. Excess allowance				21,823.23
Total	1,975,124.47	954,358.36		77,221.06

¹ Net amount used for set aside the allowance for doubtful accounts represents outstanding amount of principal excluding accrued interest receivables after deducted collateral, or debts after deducted the present value of expected cash flows from debtors, or present value of expected cash flows from sale of collateral.

² Included loss rate net of recovery.

6.6.5 Non-Performing Loans (NPLs)

As at December 31, 2016 and 2015, the Bank and its subsidiaries had NPLs classified by the BoT's notifications as substandard, doubtful, doubtful of loss, and loss. Those are included loans that are interbank and money market items but excluded accrued interest receivables.

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
NPLs before deducting allowance for doubtful accounts	91,128.23	76,370.98	86,785.96	71,847.55
NPLs percentage of total loans	3.97	3.20	3.89	3.09
NPLs after deducting allowance for doubtful accounts	40,757.88	40,611.90	39,591.50	39,880.96
NPLs percentage of net loans	1.81	1.73	1.81	1.74

For the years ended December 31, 2016 and 2015, impaired loans have been written off both principal and accrued interest receivables of Baht 1,508.74 million and Baht 17,326.10 million, respectively.

6.6 Loans to Customers and Accrued Interest Receivables, Net (Continued)**6.6.6 Non-Accrual Loans based on the Accrual Basis**

As at December 31, 2016 and 2015, the Bank and its subsidiaries have non-accrual loans based on the accrual basis and comply with the BoT's regulations as follows:

	(Million Baht)			
	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Non-accrual loans	91,128.23	76,370.98	86,785.96	71,847.55
Percentage of total loans	3.97	3.20	3.89	3.09

6.6.7 Loans to Potential Delisted Companies

As at December 31, 2016 and 2015, the Bank has loans and accrued interest receivables to 3 potential delisted companies of Baht 10,855.55 million, accrued interest receivables of Baht 0.09 million, totaling to Baht 10,855.64 million which an allowance for doubtful accounts of Baht 7,643.52 million. Moreover, there are 2 potential delisted companies of Baht 163.85 million, accrued interest receivables of Baht 0.03 million, totaling to Baht 163.88 million, respectively.

6.6.8 Troubled Debt Restructuring (TDR)

For the years ended December 31, 2016 and 2015, the original loan value of the 11,662 and 10,072 troubled debt restructuring cases are Baht 59,910.77 million and Baht 41,422.74 million. The repayment for related interest and principal are Baht 27,350.82 million and Baht 18,030.40 million, whereas extended lending increased by Baht 42,374.69 million and Baht 40,716.61 million. Bad debts from troubled debt restructuring are Baht 23.66 million and Baht 25.73 million, respectively.

TDR For the years ended December 31, 2016 is set out as follows:

	(Million Baht)			
			<u>The Bank's Financial Statements</u>	
	No. of	Outstanding	Type of	
<u>Troubled Debt Restructuring Methods</u>	<u>Cases</u>	<u>Debt before</u>	<u>Transferred</u>	<u>Fair Value</u>
Transfers of assets	25	731.47	Land & Premises	716.59
Change of repayment conditions	544	15,396.92		
Debt restructuring in various forms	11,093	43,782.38		
	11,662	59,910.77		

As at December 31, 2016, the Bank has outstanding balance of loans to restructured debts for 34,314 cases of Baht 124,053.72 million, of which 9,348 cases of Baht 11,645.62 million, has been monitored under the new contractual agreements.

The consolidated financial statements for the years ended December 31, 2016, the Bank restructured debts of 11,996 cases which the debts before restructuring were Baht 61,406.17 million.

6.6 Loans to Customers and Accrued Interest Receivables, Net (Continued)**6.6.8 Troubled Debt Restructuring (TDR) (Continued)**

TDR for the year ended December 31, 2015 was set out as follows:

(Million Baht)

<u>Troubled Debt Restructuring Methods</u>	<u>No. of Cases</u>	<u>The Bank's Financial Statements</u>			<u>Fair Value</u>
		<u>Outstanding</u>	<u>Type of</u>	<u>Debt before</u>	
			<u>Transferred</u>		
Transfers of assets	43	1,484.12	Land & Premises		1,468.82
Change of repayment conditions	813	18,972.40			
Debt restructuring in various forms	9,216	20,966.22			
	10,072	41,422.74			

As at December 31, 2015 the Bank has outstanding balance of loans to restructured debts for 29,241 cases of Baht 103,262.54 million, of which 2,969 cases of Baht 9,117.39 million, has been monitored under the new contractual agreements.

The consolidated financial statements for the year ended December 31, 2015, the Bank restructured debts of 10,560 cases which the debts before restructuring were Baht 43,871 million.

6.6.9 Financial Lease Receivables (Including Hire Purchase Receivables and Financial Lease Receivables)

(Million Baht)

	<u>Consolidated Financial Statements</u>							
	<u>December 31, 2016</u>				<u>December 31, 2015</u>			
	<u>Amount Due of the Contract</u>				<u>Amount Due of the Contract</u>			
	<u>Not Over</u>	<u>Over</u>	<u>Over</u>		<u>Not Over</u>	<u>Over</u>	<u>Over</u>	
	<u>1 Year</u>	<u>1 - 5 Years</u>	<u>5 Years</u>	<u>Total</u>	<u>1 Year</u>	<u>1 - 5 Years</u>	<u>5 Years</u>	<u>Total</u>
Gross investment of leases payment	19,392.43	20,973.33	442.33	40,808.09	21,986.09	33,062.60	909.62	55,958.31
<u>Less</u> Unearned financial income				(3,611.89)				(5,649.36)
Present value of minimum leases payment				37,196.20				50,308.95
<u>Less</u> Allowance for doubtful accounts				(1,863.93)				(2,001.53)
Financial lease receivables, net				35,332.27				48,307.42

6.6 Loans to Customers and Accrued Interest Receivables, Net (Continued)**6.6.9 Financial Lease Receivables (Including Hire Purchase Receivables and Financial Lease Receivables) (Continued)**

(Million Baht)

The Bank's Financial Statements								
	December 31, 2016				December 31, 2015			
	Amount Due of the Contract				Amount Due of the Contract			
	Not Over	Over	Over		Not Over	Over	Over	
	1 Year	1 - 5 Years	5 Years	Total	1 Year	1 - 5 Years	5 Years	Total
Gross investment of leases payment	4.54	-	-	4.54	14.16	5.49	-	19.65
<u>Less</u> Unearned financial income				(0.55)				(2.05)
Present value of minimum leases payment				3.99				17.60
<u>Less</u> Allowance for doubtful accounts				(2.98)				(3.49)
Financial lease receivables, net				1.01				14.11

6.7 Allowance for Doubtful Accounts

(Million Baht)

<u>Consolidated Financial Statements</u>							
<u>December 31, 2016</u>							
				Allowance			
				in Excess of			
				Special	Doubtful	BoT's	
	<u>Normal</u>	<u>Mention</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>of Loss</u>	<u>Regulations</u>	<u>Total</u>
Beginning balances	15,163.11	11,014.83	8,975.04	9,715.25	17,068.79	23,886.91	85,823.93
Doubtful accounts	1,214.02	11,611.67	2,164.53	(196.86)	19,950.18	(1,480.46)	33,263.08
Allowance for doubtful accounts							
transferred from (to) allowance for							
debt restructuring revaluation	130.50	(59.49)	-	-	-	-	71.01
Bad debt recovered	-	-	-	-	1,279.89	-	1,279.89
Bad debt written-off	(205.66)	(750.96)	(4,354.71)	(458.93)	(2,903.77)	-	(8,674.03)
Others	(239.28)	(25.95)	-	-	(779.03)	-	(1,044.26)
Ending balances	16,062.69	21,790.10	6,784.86	9,059.46	34,616.06	22,406.45	110,719.62

6.7 Allowance for Doubtful Accounts (Continued)

(Million Baht)

<u>Consolidated Financial Statements</u>							
<u>December 31, 2015</u>							
	Special			Doubtful		Allowance in Excess of BoT's	
	<u>Normal</u>	<u>Mention</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>of Loss</u>	<u>Regulations</u>	<u>Total</u>
Beginning balances	11,942.23	12,545.24	6,583.96	5,137.47	14,983.97	24,714.56	75,907.43
Allowance for doubtful accounts	3,070.51	(986.26)	6,425.44	4,907.87	17,822.99	(827.65)	30,412.90
Allowance for doubtful accounts transferred from (to) allowance for debt restructuring revaluation	-	-	-	-	(19.41)	-	(19.41)
Bad debt recovered	-	-	-	-	1,947.41	-	1,947.41
Bad debt written-off	(156.71)	(544.15)	(4,034.36)	(330.09)	(17,718.39)	-	(22,783.70)
Others	307.08	-	-	-	52.22	-	359.30
Ending balances	15,163.11	11,014.83	8,975.04	9,715.25	17,068.79	23,886.91	85,823.93

(Million Baht)

<u>The Bank's Financial Statements</u>							
<u>December 31, 2016</u>							
	Special			Doubtful		Allowance in Excess of BoT's	
	<u>Normal</u>	<u>Mention</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>of Loss</u>	<u>Regulations</u>	<u>Total</u>
Beginning balances	13,190.30	10,240.94	8,413.17	9,332.64	14,220.78	21,823.23	77,221.06
Allowance for doubtful accounts	1,044.59	11,076.61	(2,204.92)	(609.10)	19,295.85	(1,603.03)	27,000.00
Allowance for doubtful accounts transferred from (to) allowance for debt restructuring revaluation	130.50	(59.49)	-	-	-	-	71.01
Bad debt recovered	-	-	-	-	1,120.82	-	1,120.82
Bad debt written-off	-	-	-	-	(1,508.74)	-	(1,508.74)
Others	(239.28)	(25.95)	-	-	(779.03)	-	(1,044.26)
Ending balances	14,126.11	21,232.11	6,208.25	8,723.54	32,349.68	20,220.20	102,859.89

6.7 Allowance for Doubtful Accounts (Continued)

(Million Baht)

<u>The Bank's Financial Statements</u>							
<u>December 31, 2015</u>							
	Special			Doubtful		Allowance in Excess of BoT's	
	<u>Normal</u>	<u>Mention</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>of Loss</u>	<u>Regulations</u>	<u>Total</u>
Beginning balances	10,229.75	11,805.67	5,942.23	4,775.24	12,814.80	22,801.99	68,369.68
Allowance for doubtful accounts	2,653.47	(1,564.73)	2,470.94	4,557.40	16,861.68	(978.76)	24,000.00
Allowance for doubtful accounts transferred from (to) allowance for debt restructuring revaluation	-	-	-	-	(19.41)	-	(19.41)
Bad debt recovered	-	-	-	-	1,837.59	-	1,837.59
Bad debt written-off	-	-	-	-	(17,326.10)	-	(17,326.10)
Others	307.08	-	-	-	52.22	-	359.30
Ending balances	13,190.30	10,240.94	8,413.17	9,332.64	14,220.78	21,823.23	77,221.06

For the years ended December 31, 2016, the Bank has set aside allowance for doubtful accounts on a monthly basis of Baht 1,000 million and also set aside an additional of Baht 15,000 million, totaling to Baht 27,000 million.

For the year ended December 31, 2015, the Bank has set aside allowance for doubtful accounts on a monthly basis of Baht 700 million and also set aside an additional of Baht 15,600 million, totaling to Baht 24,000 million.

6.8 Revaluation Allowance for Debt Restructuring

(Million Baht)

<u>Consolidated and the Bank's Financial Statements</u>		
	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Beginning balances	132.63	113.22
Transfer from (to) allowance for doubtful accounts	(71.01)	19.41
Ending balances	61.62	132.63

The revaluation allowance for debt restructuring was transferred from allowance for doubtful accounts for restructured debtors, and transferred to allowance for doubtful accounts when the debtors failed to comply with the new troubled debt restructuring agreement.

The revaluation allowance for debt restructuring has not been amortized and recognized as income upon receipt of debt repayment but transferred to allowance for doubtful accounts instead as the restructured debts may again become non-performing.

6.9 Properties for Sale, Net

(Million Baht)

<u>Consolidated Financial Statements</u>								
<u>Type of Properties for Sale</u>	<u>December 31, 2016</u>				<u>December 31, 2015</u>			
	Beginning			Ending	Beginning			Ending
	<u>Balances</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balances</u>	<u>Balances</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balances</u>
Assets from debt repayment								
Immovable properties								
Appraised by external appraisers	29,363.28	14,723.95	6,959.05	37,128.18	28,609.54	4,423.90	3,670.16	29,363.28
Appraised by internal appraisers	846.42	1,934.10	3,122.24	(341.72)	1,675.61	1,818.75	2,647.94	846.42
Movable properties	318.75	575.10	617.00	276.85	539.28	983.89	1,204.42	318.75
Total	30,528.45	17,233.15	10,698.29	37,063.31	30,824.43	7,226.54	7,522.52	30,528.45
Others (closed branches)	46.19	-	3.88	42.31	41.37	4.82	-	46.19
Properties for sale in transit	422.08	454.06	422.08	454.06	944.21	417.25	939.38	422.08
Total	30,996.72	17,687.21	11,124.25	37,559.68	31,810.01	7,648.61	8,461.90	30,996.72
<u>Less</u> Allowance for impairment	(988.58)	(827.47)	-	(1,816.05)	(1,076.74)	-	(88.16)	(988.58)
Properties for sale, net	30,008.14	16,859.74	11,124.25	35,743.63	30,733.27	7,648.61	8,373.74	30,008.14

(Million Baht)

<u>The Bank's Financial Statements</u>								
<u>Type of Properties for Sale</u>	<u>December 31, 2016</u>				<u>December 31, 2015</u>			
	Beginning			Ending	Beginning			Ending
	<u>Balances</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balances</u>	<u>Balances</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balances</u>
Assets from debt repayment								
Immovable properties								
Appraised by external appraisers	29,363.28	14,723.95	6,959.05	37,128.18	28,609.54	4,423.90	3,670.16	29,363.28
Appraised by internal appraisers	846.42	1,934.10	3,122.24	(341.72)	1,675.61	1,818.75	2,647.94	846.42
Movable properties	110.60	-	-	110.60	110.60	-	-	110.60
Total	30,320.30	16,658.05	10,081.29	36,897.06	30,395.75	6,242.65	6,318.10	30,320.30
Others (closed branches)	46.19	-	3.88	42.31	41.37	4.82	-	46.19
Properties for sale in transit	422.08	454.06	422.08	454.06	944.21	417.25	939.38	422.08
Total	30,788.57	17,112.11	10,507.25	37,393.43	31,381.33	6,664.72	7,257.48	30,788.57
<u>Less</u> Allowance for impairment	(878.71)	(846.17)	-	(1,724.88)	(894.72)	-	(16.01)	(878.71)
Properties for sale, net	29,909.86	16,265.94	10,507.25	35,668.55	30,486.61	6,664.72	7,241.47	29,909.86

The consolidated and the Bank's financial statements as at December 31, 2016 and 2015, there are an increase in immovable properties for sale appraised by external appraisers of Baht 14,723.95 million and Baht 4,423.90 million. Such immovable properties are included items changed from internal appraisers to external appraisers of Baht 3,046.12 million and Baht 2,539.95 million, respectively.

As at December 31, 2016 and 2015, the Bank's allowance for impairment of properties for sale has decreased Baht 846.17 million and Baht 16.01 million, respectively, from additional or reversal of loss on impairment.

For the years ended December 31, 2016 and 2015, the Bank generated gains on sale of properties for sale of Baht 1,023.03 million and Baht 738.26 million, respectively (before deduction of selling expenses of Baht 539.36 million and Baht 319.32 million, respectively).

6.10 Premises and Equipment, Net

Premises and equipment as at December 31, 2016 and 2015 are as follows:

(Million Baht)

<u>Consolidated Financial Statements</u>										
<u>December 31, 2016</u>										
	<u>Cost</u>				<u>Accumulated Depreciation</u>			<u>Allowance</u>	<u>Premises and</u>	
	<u>Beginning</u>	<u>Additions /</u>	<u>Disposals /</u>	<u>Ending</u>	<u>Beginning</u>		<u>Ending</u>	<u>for</u>	<u>Equipment,</u>	
	<u>Balances</u>	<u>Transfer in</u>	<u>Transfer out</u>	<u>Balances</u>	<u>Balances</u>	<u>Depreciation</u>	<u>Disposals</u>	<u>Balances</u>	<u>Impairment</u>	<u>Net</u>
Land										
Historical cost	9,179.93	57.41	-	9,237.34	-	-	-	-	919.40	8,317.94
Revaluation Surplus *	7,931.15	10,459.17	7,931.15	10,459.17	-	-	-	-	-	10,459.17
Premises	10,720.20	1,212.88	14.22	11,918.86	7,342.93	876.16	13.59	8,205.50	-	3,713.36
Equipment	24,713.36	1,543.36	4,219.46	22,037.26	17,579.19	2,083.08	1,950.29	17,711.98	-	4,325.28
Others	354.90	873.43	281.83	946.50	-	525.50	75.91	449.59	-	496.91
Total	52,899.54	14,146.25	12,446.66	54,599.13	24,922.12	3,484.74	2,039.79	26,367.07	919.40	27,312.66

* The Bank revalues its land in 2016.

(Million Baht)

<u>Consolidated Financial Statements</u>										
<u>December 31, 2015</u>										
	<u>Cost</u>				<u>Accumulated Depreciation</u>			<u>Allowance</u>	<u>Premises and</u>	
	<u>Beginning</u>	<u>Additions /</u>	<u>Disposals /</u>	<u>Ending</u>	<u>Beginning</u>		<u>Ending</u>	<u>for</u>	<u>Equipment,</u>	
	<u>Balances</u>	<u>Transfer in</u>	<u>Transfer out</u>	<u>Balances</u>	<u>Balances</u>	<u>Depreciation</u>	<u>Disposals</u>	<u>Balances</u>	<u>Impairment</u>	<u>Net</u>
Land										
Historical cost	9,180.60	1.13	1.80	9,179.93	-	-	-	-	1,622.89	7,557.04
Revaluation Surplus **	7,934.55	-	3.40	7,931.15	-	-	-	-	-	7,931.15
Premises	10,641.16	99.22	20.18	10,720.20	7,183.63	174.60	15.30	7,342.93	-	3,377.27
Equipment	24,128.21	1,448.56	863.41	24,713.36	15,527.91	2,644.99	593.71	17,579.19	-	7,134.17
Others	565.68	128.75	339.53	354.90	-	-	-	-	-	354.90
Total	52,450.20	1,677.66	1,228.32	52,899.54	22,711.54	2,819.59	609.01	24,922.12	1,622.89	26,354.53

** The Bank revalues its land in 2011.

6.10 Premises and Equipment, Net (Continued)

(Million Baht)

The Bank's Financial StatementsDecember 31, 2016

	<u>Cost</u>				<u>Accumulated Depreciation</u>				Allowance	Premises and
	Beginning	Additions /	Disposals /	Ending				Ending	for	Equipment,
	<u>Balances</u>	<u>Transfer in</u>	<u>Transfer out</u>	<u>Balances</u>	<u>Balances</u>	<u>Depreciation</u>	<u>Disposals</u>	<u>Balances</u>	<u>Impairment</u>	<u>Net</u>
Land										
Historical cost	9,396.87	57.41	-	9,454.28	-	-	-	-	919.40	8,534.88
Revaluation Surplus *	7,931.15	10,459.17	7,931.15	10,459.17	-	-	-	-	-	10,459.17
Premises	9,696.54	1,188.92	0.79	10,884.67	6,605.64	827.24	0.77	7,432.11	-	3,452.56
Equipment	11,856.59	1,055.22	159.09	12,752.72	9,569.44	852.87	60.74	10,361.57	-	2,391.15
Others	293.67	748.20	191.03	850.84	-	525.50	75.91	449.59	-	401.25
Total	39,174.82	13,508.92	8,282.06	44,401.68	16,175.08	2,205.61	137.42	18,243.27	919.40	25,239.01

* The Bank revalues its land in 2016.

(Million Baht)

The Bank's Financial StatementsDecember 31, 2015

	<u>Cost</u>				<u>Accumulated Depreciation</u>				Allowance	Premises and
	Beginning	Additions /	Disposals /	Ending				Ending	for	Equipment,
	<u>Balances</u>	<u>Transfer in</u>	<u>Transfer out</u>	<u>Balances</u>	<u>Balances</u>	<u>Depreciation</u>	<u>Disposals</u>	<u>Balances</u>	<u>Impairment</u>	<u>Net</u>
Land										
Historical cost	9,397.54	1.13	1.80	9,396.87	-	-	-	-	1,622.89	7,773.98
Revaluation Surplus **	7,934.55	-	3.40	7,931.15	-	-	-	-	-	7,931.15
Premises	9,697.41	1.15	2.02	9,696.54	6,495.74	110.57	0.67	6,605.64	-	3,090.90
Equipment	10,945.38	972.38	61.17	11,856.59	8,640.04	988.77	59.37	9,569.44	-	2,287.15
Others	343.13	7.99	57.45	293.67	-	-	-	-	-	293.67
Total	38,318.01	982.65	125.84	39,174.82	15,135.78	1,099.34	60.04	16,175.08	1,622.89	21,376.85

** The Bank revalues its land in 2011.

In 2016, The Bank revalued the land used for the Bank's operation by independent appraisers to estimate fair value of land to ensure that the book value of land is similar to fair value on the financial statement presentation date. As at December 31, 2016, the revaluation surplus amounting to Baht 10,459.17 million occurred from difference between the appraisal value which conducted in 2016 and the book value. The Bank has reversed full amount of the appraisal surplus occurred in 2014 which was recorded in the previous period.

6.10 Premises and Equipment, Net (Continued)

As at December 31, 2016 and 2015, the allowance for impairment is as follows:

	(Million Baht)	
	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Beginning balances	1,622.89	1,622.89
<u>Add</u> Allowance for impairment	(703.49)	-
Ending balances	<u>919.40</u>	<u>1,622.89</u>

6.11 Other Intangible Assets, Net

(Million Baht)

Consolidated Financial StatementsDecember 31, 2016

	<u>Cost</u>			<u>Accumulated Amortization</u>				<u>Allowance</u>	<u>Intangible</u>	
	Beginning		Decrease/	Ending	Beginning		Decrease/	Ending	for	Assets,
	<u>Balances</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balances</u>	<u>Balances</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balances</u>	<u>Impairment</u>	<u>Net</u>
Software licenses	5,949.85	403.78	3.41	6,350.22	3,338.81	564.35	3.37	3,899.79	-	2,450.43
Other licenses	9.14	0.45	-	9.59	8.42	0.42	-	8.84	-	0.75
Development cost	4,058.56	198.70	41.84	4,215.42	2,298.38	309.87	41.84	2,566.41	-	1,649.01
Partial payment of										
intangible assets	498.64	244.00	358.48	384.16	-	-	-	-	273.45	110.71
Total	10,516.19	846.93	403.73	10,959.39	5,645.61	874.64	45.21	6,475.04	273.45	4,210.90

(Million Baht)

Consolidated Financial StatementsDecember 31, 2015

	<u>Cost</u>			<u>Accumulated Amortization</u>				Allowance	Intangible	
	Beginning		Decrease/	Ending	Beginning		Decrease/	Ending	for	Assets,
	<u>Balances</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balances</u>	<u>Balances</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balances</u>	<u>Impairment</u>	<u>Net</u>
Software licenses	5,852.09	398.87	301.11	5,949.85	3,064.24	575.68	301.11	3,338.81	-	2,611.04
Other licenses	8.80	0.34	-	9.14	7.90	0.52	-	8.42	-	0.72
Development cost	3,217.35	841.21	-	4,058.56	2,003.41	294.97	-	2,298.38	-	1,760.18
Partial payment of										
intangible assets	989.24	354.90	845.50	498.64	-	-	-	-	298.98	199.66
Total	10,067.48	1,595.32	1,146.61	10,516.19	5,075.55	871.17	301.11	5,645.61	298.98	4,571.60

6.11 Other Intangible Assets, Net (Continued)

(Million Baht)

<u>The Bank's Financial Statements</u>									
<u>December 31, 2016</u>									
	<u>Cost</u>				<u>Accumulated Amortization</u>				Intangible
	Beginning		Decrease/	Ending	Beginning		Decrease/	Ending	Assets,
	<u>Balances</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balances</u>	<u>Balances</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balances</u>	<u>Net</u>
Software licenses	732.70	72.52	1.28	803.94	387.20	73.24	1.24	459.20	344.74
Other licenses	5.12	-	-	5.12	4.90	0.05	-	4.95	0.17
Development cost	779.94	-	41.84	738.10	254.99	61.88	41.84	275.03	463.07
Partial payment of intangible assets	26.70	36.04	-	62.74	-	-	-	-	62.74
Total	1,544.46	108.56	43.12	1,609.90	647.09	135.17	43.08	739.18	870.72

(Million Baht)

<u>The Bank's Financial Statements</u>									
<u>December 31, 2015</u>									
	<u>Cost</u>				<u>Accumulated Amortization</u>				Intangible
	Beginning		Decrease/	Ending	Beginning		Decrease/	Ending	Assets,
	<u>Balances</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balances</u>	<u>Balances</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balances</u>	<u>Net</u>
Software licenses	709.15	23.55	-	732.70	318.09	69.11	-	387.20	345.50
Other licenses	5.03	0.09	-	5.12	4.77	0.13	-	4.90	0.22
Development cost	273.20	506.74	-	779.94	214.85	40.14	-	254.99	524.95
Partial payment of intangible assets	455.74	-	429.04	26.70	-	-	-	-	26.70
Total	1,443.12	530.38	429.04	1,544.46	537.71	109.38	-	647.09	897.37

6.12 Deferred Tax Assets and Deferred Tax Liabilities

Deferred tax assets and deferred tax liabilities as at December 31, 2016 and 2015 are as follows:

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Deferred Tax Assets	4,496.46	6,996.11	2,321.67	5,020.58
Deferred Tax Liabilities	-	-	-	-
Net	4,496.46	6,996.11	2,321.67	5,020.58

6.12 Deferred Tax Assets and Deferred Tax Liabilities (Continued)

Movements in deferred tax assets and deferred tax liabilities during the period/year are as follows:

(Million Baht)

<u>Consolidated Financial Statements</u>				
<u>Charged / credited to:</u>				
Other				
Comprehensive				
	January 1, 2016	Profit / Loss	Income	December 31, 2016
Deferred Tax Assets				
Investments	570.34	(36.54)	(70.36)	463.44
Investments in subsidiaries and associates	159.75	-	-	159.75
Loans to customers and accrued interest receivables, net	3,665.58	(37.46)	-	3,628.12
Properties for sale	198.61	164.60	-	363.21
Premises and equipment	363.09	(157.34)	-	205.75
Provisions	4,138.61	(1,482.21)	187.32	2,843.72
Guarantee deposit under financial lease	51.37	(0.34)	-	51.03
Others	542.55	721.24	-	1,263.79
Total	9,689.90	(828.05)	116.96	8,978.81
Deferred Tax Liabilities				
Investments	291.63	(0.96)	1,274.52	1,565.19
Premises and equipment	1,812.76	48.26	505.60	2,366.62
Loans to customers and accrued interest receivables, net	589.40	(38.86)	-	550.54
Total	2,693.79	8.44	1,780.12	4,482.35
Net	6,996.11	(836.49)	(1,663.16)	4,496.46

(Million Baht)

<u>Consolidated Financial Statements</u>				
<u>Charged / credited to:</u>				
Adjust to				
Brought Forward				
Other				
Comprehensive				
	January 1, 2015	Retained Earnings	Profit / Loss	December 31, 2015
Deferred Tax Assets				
Investments	696.43	-	(209.68)	570.34
Investments in subsidiaries and associates	-	-	159.75	159.75
Loans to customers and accrued interest receivables, net	3,110.27	-	555.31	3,665.58
Properties for sale	215.35	-	(16.74)	198.61
Premises and equipment	372.66	-	(9.57)	363.09
Provisions	3,926.51	49.38	119.89	4,138.61
Guarantee deposit under financial lease	79.72	-	(28.35)	51.37
Others	522.85	-	19.70	542.55
Total	8,923.79	49.38	590.31	9,689.90
Deferred Tax Liabilities				
Investments	897.45	-	0.16	291.63
Premises and equipment	1,763.55	-	49.89	1,812.76
Loans to customers and accrued interest receivables, net	572.72	-	16.68	589.40
Total	3,233.72	-	66.73	2,693.79
Net	5,690.07	49.38	523.58	6,996.11

6.12 Deferred Tax Assets and Deferred Tax Liabilities (Continued)

(Million Baht)

<u>The Bank's Financial Statements</u>				
<u>Charged / credited to:</u>				
Other				
Comprehensive				
	<u>January 1, 2016</u>	<u>Profit / Loss</u>	<u>Income</u>	<u>December 31, 2016</u>
Deferred Tax Assets				
Investments	570.34	(36.54)	(70.36)	463.44
Investments in subsidiaries and associates	159.75	-	-	159.75
Loans to customers and accrued interest receivables, net	1,896.89	(154.52)	-	1,742.37
Properties for sale	175.74	169.23	-	344.97
Premises and equipment	324.58	(140.70)	-	183.88
Provisions	3,523.60	(1,525.87)	169.94	2,167.67
Others	471.58	719.82	-	1,191.40
Total	7,122.48	(968.58)	99.58	6,253.48
Deferred Tax Liabilities				
Investments	291.63	(0.96)	1,274.52	1,565.19
Premises and equipment	1,810.27	50.75	505.60	2,366.62
Total	2,101.90	49.79	1,780.12	3,931.81
Net	5,020.58	(1,018.37)	(1,680.54)	2,321.67

(Million Baht)

The Bank's Financial Statements					
	Charged / credited to:				
	Adjust to	Other			
	Brought Forward	Comprehensive			
	January 1, 2015	Retained Earnings	Profit / Loss	Income	December 31, 2015
Deferred Tax Assets					
Investments	696.43	-	(209.68)	83.59	570.34
Investments in subsidiaries and associates	-	-	159.75	-	159.75
Loans to customers and accrued interest receivables, net	1,552.69	-	344.20	-	1,896.89
Properties for sale	178.94	-	(3.20)	-	175.74
Premises and equipment	324.58	-	-	-	324.58
Provisions	3,332.71	49.38	73.09	68.42	3,523.60
Others	459.23	-	12.35	-	471.58
Total	6,544.58	49.38	376.51	152.01	7,122.48
Deferred Tax Liabilities					
Investments	897.45	-	0.16	(605.98)	291.63
Premises and equipment	1,755.00	-	55.95	(0.68)	1,810.27
Total	2,652.45	-	56.11	(606.66)	2,101.90
Net	3,892.13	49.38	320.40	758.67	5,020.58

6.13 Other Assets, Net

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Prepaid expenses	995.99	1,451.82	801.04	1,117.84
Account receivables - Revenue Department	1,557.49	1,684.10	31.44	223.73
Leaseholds	97.05	372.18	97.05	372.18
Suspense account debtors	3,003.57	2,552.89	2,995.84	2,535.45
Collateral under Credit Support Annex Contract and Cash Margin Debtors	5,763.60	4,249.29	5,763.60	4,249.29
Interbranch transactions	2,632.19	4,974.55	2,632.19	4,974.55
Settlement account between the Bank and other financial institutions	520.31	364.49	520.31	364.49
Sundry assets	6,533.02	3,253.70	6,464.78	3,545.88
Total	21,103.22	18,903.02	19,306.25	17,383.41
Less Allowance for impairment	(2,394.04)	(2,338.25)	(2,361.14)	(2,312.03)
Total other assets, net	18,709.18	16,564.77	16,945.11	15,071.38

As at December 31, 2016 and 2015, sundry assets are included default debtors from convertible preferred shares contracts of Baht 997.87 million with the same amounts of allowance for impairment (Note 6.38.1).

6.14 Deposits**6.14.1 Classified by Type of Deposits**

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Demand deposits	92,573.87	126,974.44	92,938.84	127,359.29
Savings deposits	1,221,291.66	1,147,811.07	1,223,083.61	1,149,177.49
Time deposits	658,538.00	860,713.00	659,135.22	860,909.71
Total	1,972,403.53	2,135,498.51	1,975,157.67	2,137,446.49

6.14.2 Classified by Currency and Residence of Depositors

(Million Baht)

	<u>Consolidated Financial Statements</u>					
	<u>December 31, 2016</u>			<u>December 31, 2015</u>		
	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
Thai Baht	1,915,115.62	12,614.53	1,927,730.15	2,077,113.18	12,651.98	2,089,765.16
US Dollar	29,266.68	8,508.15	37,774.83	34,453.95	4,593.56	39,047.51
Other currencies	4,102.08	2,796.47	6,898.55	4,302.77	2,383.07	6,685.84
Total	1,948,484.38	23,919.15	1,972,403.53	2,115,869.90	19,628.61	2,135,498.51

6.14 Deposits (Continued)**6.14.2 Classified by Currency and Residence of Depositors (Continued)**

(Million Baht)

	The Bank's Financial Statements					
	December 31, 2016			December 31, 2015		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Thai Baht	1,917,869.76	12,614.53	1,930,484.29	2,079,061.16	12,651.98	2,091,713.14
US Dollar	29,266.68	8,508.15	37,774.83	34,453.95	4,593.56	39,047.51
Other currencies	4,102.08	2,796.47	6,898.55	4,302.77	2,383.07	6,685.84
Total	1,951,238.52	23,919.15	1,975,157.67	2,117,817.88	19,628.61	2,137,446.49

6.15 Interbank and Money Market Items (Liabilities)

(Million Baht)

	Consolidated Financial Statements					
	December 31, 2016			December 31, 2015		
	Demand	Time	Total	Demand	Time	Total
6.15.1 Domestic Items						
Bank of Thailand and Financial Institutions						
Development Fund	673.39	45,890.96	46,564.35	530.48	44,749.81	45,280.29
Commercial banks	239.67	80,448.42	80,688.09	317.21	50,275.41	50,592.62
Special purpose financial institutions	454.40	18,445.28	18,899.68	500.16	17,062.25	17,562.41
Other financial institutions	24,597.01	29,011.47	53,608.48	19,022.27	34,944.01	53,966.28
Total domestic items	25,964.47	173,796.13	199,760.60	20,370.12	147,031.48	167,401.60
6.15.2 Foreign Items						
US Dollar	932.85	2,189.25	3,122.10	1,232.03	24,926.36	26,158.39
Euro	154.81	-	154.81	225.14	-	225.14
Other currencies	128.80	-	128.80	457.71	-	457.71
Total foreign items	1,216.46	2,189.25	3,405.71	1,914.88	24,926.36	26,841.24
Total domestic and foreign items	27,180.93	175,985.38	203,166.31	22,285.00	171,957.84	194,242.84

(Million Baht)

	The Bank's Financial Statements					
	December 31, 2016			December 31, 2015		
	Demand	Time	Total	Demand	Time	Total
6.15.1 Domestic Items						
Bank of Thailand and Financial Institutions						
Development Fund	673.39	45,890.96	46,564.35	530.48	44,749.81	45,280.29
Commercial banks	239.67	76,000.09	76,239.76	317.21	40,715.09	41,032.30
Special purpose financial institutions	454.40	18,095.28	18,549.68	500.16	17,062.25	17,562.41
Other financial institutions	24,786.87	24,164.63	48,951.50	19,134.80	27,850.16	46,984.96
Total domestic items	26,154.33	164,150.96	190,305.29	20,482.65	130,377.31	150,859.96
6.15.2 Foreign Items						
US Dollar	932.85	2,189.25	3,122.10	1,232.03	24,926.36	26,158.39
Euro	154.81	-	154.81	225.14	-	225.14
Other currencies	128.80	-	128.80	457.71	-	457.71
Total foreign items	1,216.46	2,189.25	3,405.71	1,914.88	24,926.36	26,841.24
Total domestic and foreign items	27,370.79	166,340.21	193,711.00	22,397.53	155,303.67	177,701.20

(Million Baht)

(Million Baht)

*Short term bill of exchange (B/E) is included a maturity B/E but its holder is still not redeemable.

6.16 Debt Issued and Borrowings classified by type of debts and sources of fund (Continued)

Bonds under Euro Medium Term Note Programme (EMTN Programme) in an amount of USD 2,500 Million

On March 11, 2013, the Bank issued USD 500 million of unsecured unsubordinated debentures, with a maturity of 5.5 years at a fixed coupon of 2.25 percent per annum. The interest payment is semiannually on 11st of March and September of each year, over the time to maturity.

On June 26, 2014, the Bank issued and offered USD 700 million of subordinated debentures in accordance with Basel III (Subordinated Tier 2), with a maturity of 10.5 years at a fixed coupon of 5.20 percent per annum for the first 5.5 years. After that the interest will equal to 5-year US Treasury Rate plus margin 3.535 percent per annum. The interest payment is semiannually on 26th of June and December of each year, over the time to maturity.

Subordinated Debentures

The Bank may be granted the right to redeem the debentures prior to their maturities, on 5th anniversary of the issued date or on any interest-payment date after 5th anniversary date, except for subordinated debentures under EMTN Programme which can be redeemed prior to their maturities, on 5.5th anniversary of the issued date or on any interest-payment date after 5.5th anniversary date.

Subordinated Debentures under Malaysian Ringgit Medium Term Note Programme in an amount of MYR 5,000 Million

On July 6, 2015, the Bank issued and offered MYR 1,000 million of subordinated debentures in accordance with Basel III (Subordinated Tier 2), with a maturity of 10 years at a coupon of 5.10 percent per annum. The Bank may be granted the right to redeem the debentures prior to their maturities, on 5th anniversary of the issued date.

Hybrid Debt Capital Instruments

Hybrid debt capital instruments of non-cumulative interest, non-interest payment in the year that there is no profit, non-fixed repayment period as tier 1 capital (Hybrid Tier 1) which comprised of USD Currency of USD 189.50 million and Baht currency of Baht 1,440 million. The first date that the Bank could be granted the right to redeem is October 10, 2016 and November 28, 2016, respectively, or any interest-payment date after the first date that the Bank could be granted the right to redeem. Nonetheless, the Bank has already redeemed those hybrid debt capital instruments in the year 2016.

6.17 Provisions

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Defined benefit plan	10,776.99	10,391.04	9,795.64	9,609.72
Loss from NPLs transferred to TAMC (Note 6.35)	-	3,461.48	-	3,461.48
Contingent liabilities from being sued	335.91	538.01	335.91	538.01
Other contingent liabilities	39.38	34.16	31.87	25.53
Total provisions	11,152.28	14,424.69	10,163.42	13,634.74

6.17 Provisions (Continued)**Defined Benefit Plan**

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Defined benefit plan				
Beginning balances	10,391.04	10,257.28	9,609.72	9,466.48
Current service costs	565.65	576.25	465.14	464.10
Interest costs	496.46	476.70	457.63	442.90
Employee benefits paid during the period	(1,612.77)	(1,133.34)	(1,586.55)	(1,105.86)
Actuarial losses (gains) on defined benefit plans (Note 6.34)				
- from changes in demographic assumptions				
- from changes in financial assumptions	(4.76)	70.50	(14.74)	67.61
Total defined benefit plan	941.37	143.65	864.44	274.49
	<u>10,776.99</u>	<u>10,391.04</u>	<u>9,795.64</u>	<u>9,609.72</u>

The Principal Actuarial Assumptions

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Average discount rate	2.75% - 4.34%	3.59% - 5.12%
Average future salary increase rate	4.00% - 7.50%	6.00% - 7.50%
Average turnover rate	0.11% - 30.00%	0.11% - 17.26%
Retirement age	55 - 60 years	50 - 60 years

Sensitivity Analysis of Principal Actuarial Assumptions

Defined benefit plan of the Bank and its subsidiaries are sensitive to changes in assumptions used for calculation. The actuarial assumptions may change based on changes in market conditions, changes in inflation condition including demographic changes in the defined benefit plan. The following table shows the effect of changes in each key assumption. The change in each assumption occurs separately.

(Million Baht)

	<u>Increase (Decrease) in Defined Benefit Plan</u>	
	<u>Consolidated Financial Statements</u>	<u>The Bank's Financial Statements</u>
	<u>December 31, 2016</u>	<u>December 31, 2016</u>
Average discount rate		
Increase of 1 %	(1,008.35)	(890.52)
Decrease of 1 %	1,182.41	1,041.66
Average future salary increase rate		
Increase of 1 %	870.09	751.62
Decrease of 1 %	(761.55)	(658.15)
Average turnover rate		
Increase of 1 %	(120.43)	(99.86)
Decrease of 1 %	121.57	99.86

6.17 Provisions (Continued)**Maturity Profile of Defined Benefit Plan**

The following table provides information on the weighted average duration of the defined benefit plan and the maturity analysis of benefit payments calculated based on the defined benefit plan expected to be paid in the future in the undiscounted form.

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Weighted average duration of the defined benefit plan	21	20	20	19

(Years)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Maturity analysis of benefits expected to be paid				
Amount expected to be paid within 12 months	594.24	589.96	568.12	577.09
Amount expected to be paid between 1 to 2 years	535.90	635.80	499.08	605.60
Amount expected to be paid between 2 to 5 years	2,528.36	2,559.94	2,381.31	2,395.94
Amount expected to be paid between 5 to 10 years	6,365.81	6,359.08	5,884.33	5,893.69
Amount expected to be paid between 10 to 15 years	6,183.08	7,297.45	5,355.01	6,416.66
Amount expected to be paid between 15 to 25 years	8,419.47	9,096.31	5,540.87	6,288.35
Amount expected to be paid over 25 years	16,086.32	14,147.01	14,378.20	12,494.22

(Million Baht)

6.18 Other Liabilities comprise the followings:

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Accrued interest expenses	4,125.33	5,422.75	3,849.37	5,174.08
Accrued expenses	14,339.86	13,335.15	12,663.39	11,880.67
Suspense account creditors	2,955.41	1,411.62	4,148.10	2,722.99
Tax payables	3,132.80	3,732.43	2,510.59	3,200.57
Deferred revenue for reward points	2,640.55	2,492.87	152.82	126.30
Cheque in transit	5,020.70	6,360.49	5,020.70	6,360.49
Sundry liabilities	12,604.27	13,454.61	9,631.46	10,532.69
Total	44,818.92	46,209.92	37,976.43	39,997.79

(Million Baht)

6.19 Share Capital

6.19.1 Ordinary Shares

As at December 31, 2016 and 2015, the Bank's authorized share capital and issued and paid-up share capital are 13,976,061,250 shares.

6.19.2 Preferred Shares

The 5.5 million of preferred shares are fully paid-up. Preferred share has more preference over the ordinary share. Apart from entitling to the same voting rights and claims on dividends as ordinary shares, it may enjoy preferential rights to a special dividend at a 3 percent fixed rate per annum prior to the ordinary shares when paid.

6.19.3 The Bank is the state enterprise; its major shareholder is the Financial Institutions Development Fund (FIDF). As at December 31, 2016, FIDF holds 7,696,248,833 shares or 55.05 percent of paid-up ordinary and preferred shares.

6.20 Legal Reserve

According to the Public Limited Company Act, the Bank is required to appropriate net profit of the year as legal reserve which is not less than 5 percent after deducting accumulated losses brought forward (if any) until legal reserve reaches an amount not less than 10 percent of authorized share capital. The Bank also set aside full amount of legal reserve.

6.21 The Appropriation of 2015 Net Profit and Dividend Payment

On April 29, 2016, the 23rd Annual General Shareholders' Meeting passed the resolution to approve the appropriation of 2015 net profit of Baht 26,473.75 million. On April 10, 2015, the 22nd Annual General Shareholders' Meeting passed the resolution to approve the appropriation of 2014 net profit of Baht 31,855.31 million and dividend payment as follows:

	(Million Baht)	
	<u>Net Profit of 2015</u>	<u>Net Profit of 2014</u>
Dividend - preferred shares (@ Baht 0.9145 and Baht 1.0545)	5.03	5.80
Dividend - ordinary shares (@ Baht 0.76 and Baht 0.90)	10,621.81	12,578.46
Net profit carried forward	15,846.91	19,271.05

6.22 Obligations and Contingent Liabilities

6.22.1 Contingent Liabilities

	(Million Baht)	
	<u>Consolidated and the Bank's Financial Statements</u>	
	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Avals to bills	8,111.97	6,696.00
Guarantees of loans	11.03	6,432.23
Liability under unmatured import bills	4,756.16	-
Letters of credit	40,407.40	37,029.06
Other contingencies		
Unused credit line of overdraft	156,429.94	162,475.49
Other guarantees	160,273.58	143,210.15
Total	369,990.08	355,842.93

6.22 Obligations and Contingent Liabilities (Continued)

6.22.1 Contingent Liabilities (Continued)

Besides the contingent liabilities mentioned above, as at December 31, 2016 and 2015, the Bank has material contingent liabilities owing to prosecutions of Baht 6,962.26 million and Baht 10,451.50 million, respectively. Such prosecutions comprised of the completed cases in the civil court and the cases proceedings in the Appeal Court and the Supreme Court.

As at December 31, 2016 and 2015, the Bank has set aside provisions of Baht 335.91 million and Baht 538.01 million, respectively, for estimated losses from such cases.

6.22.2 Obligations under Long-Terms Leased

The Bank has obligations arising from lease agreements. The amounts due are classified as follows:

(Million Baht)

Period	December 31, 2016				December 31, 2015			
	Within 1 year	Over 1 to 5 years	Over 5 years	Total	Within 1 year	Over 1 to 5 years	Over 5 years	Total
Land and/or Premises	560.25	480.54	60.37	1,101.16	575.11	528.17	70.77	1,174.05
Vehicles	374.79	671.74	-	1,046.53	367.22	679.83	-	1,047.05
Facsimile/Copy machine	0.62	1.13	-	1.75	2.78	1.89	-	4.67
Total	935.66	1,153.41	60.37	2,149.44	945.11	1,209.89	70.77	2,225.77

6.23 Assets with Obligations and Restrictions

(Million Baht)

	Consolidated and the Bank's Financial Statements	
	December 31, 2016	December 31, 2015
Government and state enterprise bonds pledged as collateral		
Court collateral	102.65	134.87
Repurchase agreements	58,139.64	33,183.96
Properties for sale (debtor is granted the right to buy back or first right for this portion)	12,911.62	4,961.70
Total	71,153.91	38,280.53

6.24 Related Party Transactions

6.24.1 As at December 31, 2016 and 2015, loans to the Bank's executives (First Vice President and above) are Baht 106.35 million and Baht 93.03 million. The average outstanding balances of such loans at month end are Baht 98.12 million and Baht 91.66 million, respectively.

The loans outstanding as at December 31, 2016 and 2015 to close family of the Bank's executives mentioned above are Baht 29.51 million and Baht 14.59 million, respectively.

6.24 Related Party Transactions (Continued)**6.24.2 Loans and Obligations**

The balances of loans and obligations to related companies under normal pricing policies, as at December 31, 2016 and 2015 are as follows:

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Loans				
Related parties which the Bank totally held from 10 to 20 percent of their paid-up capital	0.43	0.31	0.43	0.31
Related parties which the Bank acquired equal to or over 10 percent of their paid-up capital from TDR	106.39	110.41	106.39	110.41
Subsidiaries				
KTB General Services and Security Co., Ltd.	-	-	9.09	8.16
KTB Computer Services Co., Ltd.	-	-	3,080.72	3,942.86
KTB Leasing Co., Ltd.	-	-	36,815.11	50,826.10
Krung Thai Asset Management Pcl.	-	-	0.05	0.05
Krungthai Card Pcl.	-	-	0.66	0.62
Less Allowance for doubtful accounts	-	-	(399.06)	(547.78)
Total	-	-	39,506.57	54,230.01
Associates				
Krung Thai IBJ Leasing Co., Ltd.	0.09	0.07	0.09	0.07
KT Zmico Securities Co., Ltd.	2,568.94	1,080.18	2,568.94	1,080.18
Krungthai Panich Insurance Pcl.	0.63	0.23	0.63	0.23
Less Allowance for doubtful accounts	(25.70)	(10.80)	(25.70)	(10.80)
Total	2,543.96	1,069.68	2,543.96	1,069.68
Other parties related with directors or key managements	5,017.89	25,450.35	5,017.89	25,450.35
Less Allowance for doubtful accounts	(45.32)	(205.35)	(45.32)	(205.35)
Total	4,972.57	25,245.00	4,972.57	25,245.00
Obligations				
Related parties which the Bank totally held from 10 to 20 percent of their paid-up capital	14.30	29.19	14.30	29.19
Related parties which the Bank acquired equal to or over 10 percent of their paid-up capital from TDR	0.29	0.29	0.29	0.29
Subsidiaries				
KTB General Services and Security Co., Ltd.	-	-	43.40	29.20
KTB Computer Services Co., Ltd.	-	-	4.55	4.55
KTB Leasing Co., Ltd.	-	-	1,061.20	1,450.60
Krungthai Card Pcl.	-	-	2.29	2.30
Associates				
Krung Thai IBJ Leasing Co., Ltd.	3.30	1.39	3.30	1.39
Other parties related with directors or key managements	4,191.87	210.16	4,191.87	210.16

6.24 Related Party Transactions (Continued)**6.24.3 Deposits and Borrowings**

The balances of deposits and borrowings to related companies under normal pricing policies, as at December 31, 2016 and 2015 are as follows:

(Million Baht)				
	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Deposits				
Subsidiaries				
KTB Law Co., Ltd.	-	-	549.52	311.48
KTB General Services and Security Co., Ltd.	-	-	677.24	643.87
KTB Computer Services Co., Ltd.	-	-	177.22	13.75
KTB Leasing Co., Ltd.	-	-	274.78	85.99
KTB Capital Holding Co., Ltd.	-	-	252.86	249.30
KTB Advisory Co., Ltd.	-	-	36.89	53.58
Krunghai Card Pcl.	-	-	785.63	590.00
Associates				
Krung Thai IBJ Leasing Co., Ltd.	23.26	40.56	23.26	40.56
KT Zmico Securities Co., Ltd.	36.24	40.69	36.24	40.69
Krunghai Panich Insurance Pcl.	42.36	24.38	42.36	24.38
Krunghai-AXA Life Insurance Pcl.	1,627.83	770.70	1,627.83	770.70
Other parties related with directors or key managements	24,522.80	17,340.91	24,522.80	17,340.91
Borrowings				
Associates				
Krunghai-AXA Life Insurance Pcl.	3,250.00	2,730.00	3,250.00	2,730.00

6.24 Related Party Transactions (Continued)**6.24.4 Income and Expenses**

The Bank has significant income and expenses with related parties as follows:

(Million Baht)				
	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Interest Income				
Subsidiaries				
KTB Computer Services Co., Ltd.	-	-	140.93	137.60
KTB Leasing Co., Ltd.	-	-	1,408.15	1,835.32
Krungthai Card Pcl.	-	-	15.52	9.36
Associates				
Krung Thai IBJ Leasing Co., Ltd.	0.01	-	0.01	-
KT Zmico Securities Co., Ltd.	30.80	12.89	30.80	12.89
Interest Expenses				
Subsidiaries				
KTB Law Co., Ltd.	-	-	2.10	1.19
KTB General Services and Security Co., Ltd.	-	-	5.05	6.63
KTB Computer Services Co., Ltd.	-	-	0.51	0.62
KTB Leasing Co., Ltd.	-	-	0.90	0.56
Krung Thai Asset Management Pcl.	-	-	0.44	0.45
KTB Capital Holding Co., Ltd.	-	-	0.94	1.05
KTB Advisory Co., Ltd.	-	-	0.17	0.35
Krungthai Card Pcl.	-	-	2.41	-
Associates				
KT Zmico Securities Co., Ltd.	5.44	20.61	5.44	20.61

6.24 Related Party Transactions (Continued)**6.24.4 Income and Expenses (Continued)**

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Other Income				
Subsidiaries				
KTB Law Co., Ltd.	-	-	0.21	0.10
KTB General Services and Security Co., Ltd.	-	-	4.40	3.51
KTB Computer Services Co., Ltd.	-	-	0.16	0.16
KTB Leasing Co., Ltd.	-	-	38.28	34.24
Krung Thai Asset Management Pcl.	-	-	301.78	206.97
KTB Advisory Co., Ltd.	-	-	0.01	0.02
Krunghai Card Pcl.	-	-	240.29	189.15
Associates				
Krung Thai IBJ Leasing Co., Ltd.	34.20	37.48	34.20	37.48
KT Zmico Securities Co., Ltd.	179.55	237.38	179.55	237.38
Krunghai Panich Insurance Pcl.	158.62	158.62	158.62	158.62
Krunghai-AXA Life Insurance Pcl.	3,614.05	4,351.26	3,614.05	4,351.26
Other Expenses				
Subsidiaries				
KTB Law Co., Ltd.	-	-	995.00	757.43
KTB General Services and Security Co., Ltd.	-	-	2,379.83	2,367.51
KTB Computer Services Co., Ltd.	-	-	3,484.36	3,832.45
KTB Leasing Co., Ltd.	-	-	117.22	297.56
Krunghai Card Pcl.	-	-	22.08	54.10
Associates				
Krung Thai IBJ Leasing Co., Ltd.	150.42	-	150.42	-
KT Zmico Securities Co., Ltd.	1.74	3.27	1.74	3.27

6.24.5 The Bank has no compensations or other benefits, both monetary and non-monetary given to directors and executives beyond the general benefits made as usual as follows:

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Short-term employee benefits	1,078.36	1,038.50	710.59	637.86
Post-employment benefits	35.00	31.42	14.28	14.68
Total	1,113.36	1,069.92	724.87	652.54

6.24 Related Party Transactions (Continued)

6.24.6 Intercompany Trading Transactions

Subsidiaries

1) KTB Computer Services Co., Ltd. has been designated mainly to provide information technology (IT) services to various work units in the Bank. Service offers consist of introducing IT to the Bank's business operation and modernizing the existing systems in line with the Bank's requirement, rendering system control and maintenance system software development, offering preliminary consultancy service and organizing training in various applications of IT and techniques. The Bank incurs service charges on a cost plus method for the years ended December 31, 2016 and 2015 of Baht 3,361.60 million and Baht 3,699.56 million, respectively.

Since 2003, the GFMIS project Phase 2 has been developed and implemented on behalf of the Bank by KTBCS. The Bank and the Office of GFMIS attached to the Secretariat of the Prime Minister have unanimously signed on the Memorandum of Agreement upon the submission of deliverables and disbursement associated to the investments on the GFMIS project on September 22, 2005. Further, the Bank has signed the hiring contract for the implementation and maintenance with the Office of GFMIS. The Bank incurs service charges for the years ended December 31, 2016 and 2015 of Baht 122.76 million and Baht 132.88 million, respectively.

2) The Bank has operated student loans in subjects of public relations, policy, regulation, loan payment, documents filling, loan notification, loans status, including loan collection, claim for payment, and prosecution for the Student Loans Fund. KTB Law Co., Ltd. has been designated to prosecute debtors of the Student Loans Fund. The Bank incurs service charges for the years ended December 31, 2016 and 2015 of Baht 887.01 million and Baht 666.39 million, respectively.

3) Krungthai Card Pcl. has been designated from the Bank to collect debts. This service charge incurred for the years ended December 31, 2016 and 2015 of Baht 13.72 million and Baht 49.33 million, respectively.

4) The Bank incurs service charges on its subsidiaries [including service charges mentioned in No.1) to 3)] for the years ended December 31, 2016 and 2015 of Baht 6,980.25 million and Baht 7,309.24 million, respectively, at the agreed-upon rate.

5) The Bank generates fees income from service contracts for the years ended December 31, 2016 and 2015 of Baht 561.69 million and Baht 452.32 million, respectively.

6) The Bank generates premises rental income from subsidiaries for the years ended December 31, 2016 and 2015 of Baht 15.93 million and Baht 15.92 million, respectively, at the agreed-upon rate.

Intercompany Considerations

Intercompany income and expenses are based on the agreed-upon rate and the amount specified in the contract, whereas cost plus system has been applicable to some certain transactions.

The consolidated financial statements include the accounts of subsidiaries after eliminating intercompany transactions and balances.

Associates

1) The Bank generates premises rental income from associates for the years ended December 31, 2016 and 2015 at the amount of Baht 0.63 million and Baht 0.61 million, respectively, at the agreed-upon rate.

2) The Bank generates fees income from supportive service contracts for the years ended December 31, 2016 and 2015 of Baht 1,741.31 million and Baht 2,254.87 million, respectively, at the agreed-upon rate.

6.25 Significant Financial Position and Operations Classified by Domestic and Foreign Business Segment**6.25.1 Financial Position Classified by Business Segment**

(Million Baht)

<u>Consolidated Financial Statements</u>						
	<u>December 31, 2016</u>			<u>December 31, 2015</u>		
	Domestic	Foreign Branches	<u>Total</u>	Domestic	Foreign Branches	<u>Total</u>
	Business	Business		Business	Business	
	<u>Segment</u>	<u>Segment</u>		<u>Segment</u>	<u>Segment</u>	
Total assets	2,629,042.23	64,197.67	2,693,239.90	2,747,981.67	68,667.78	2,816,649.45
Interbank and money market items, net	400,746.90	30,891.51	431,638.41	357,256.69	40,101.28	397,357.97
Investments, net*	240,694.29	1,570.93	242,265.22	258,635.41	3,096.63	261,732.04
Loans to customers and						
accrued interest receivables, net	1,767,185.68	31,392.46	1,798,578.14	1,922,240.18	25,144.64	1,947,384.82
Deposits	1,966,527.15	5,876.38	1,972,403.53	2,130,163.24	5,335.27	2,135,498.51
Interbank and money market items, net	200,961.02	2,205.29	203,166.31	192,156.66	2,086.18	194,242.84
Debt issued and borrowings	69,717.02	50,973.84	120,690.86	57,687.68	58,552.78	116,240.46

(Million Baht)

<u>The Bank's Financial Statements</u>						
	<u>December 31, 2016</u>			<u>December 31, 2015</u>		
	Domestic	Foreign Branches	<u>Total</u>	Domestic	Foreign Branches	<u>Total</u>
	Business	Business		Business	Business	
	<u>Segment</u>	<u>Segment</u>		<u>Segment</u>	<u>Segment</u>	
Total assets	2,554,394.51	64,197.67	2,618,592.18	2,681,259.86	68,667.78	2,749,927.64
Interbank and money market items, net	400,458.70	30,891.51	431,350.21	356,960.10	40,101.28	397,061.38
Investments, net*	235,786.81	1,570.93	237,357.74	254,379.02	3,096.63	257,475.65
Loans to customers and						
accrued interest receivables, net	1,707,580.89	31,392.46	1,738,973.35	1,872,626.14	25,144.64	1,897,770.78
Deposits	1,969,281.29	5,876.38	1,975,157.67	2,132,111.22	5,335.27	2,137,446.49
Interbank and money market items, net	191,505.71	2,205.29	193,711.00	175,615.02	2,086.18	177,701.20
Debt issued and borrowings	28,294.02	50,973.84	79,267.86	28,385.19	58,552.78	86,937.97

*Included investments in subsidiaries and associates.

The consolidated and the Bank's financial statements as at December 31, 2016 and 2015, has total assets before eliminating net interbranch transactions of Baht 3,794.24 million and Baht 1,319.81 million, respectively.

6.25 Significant Financial Position and Operations Classified by Domestic and Foreign Business Segment (Continued)**6.25.2 Operations Classified by Business Segment**

(Million Baht)

	<u>Consolidated Financial Statements</u>					
	<u>December 31, 2016</u>			<u>December 31, 2015</u>		
	Domestic	Foreign Branches		Domestic	Foreign Branches	
	Business	Business		Business	Business	
	<u>Segment</u>	<u>Segment</u>	<u>Total</u>	<u>Segment</u>	<u>Segment</u>	<u>Total</u>
Interest income	127,399.39	5,392.07	132,791.46	130,864.29	5,003.38	135,867.67
Interest expenses	(42,168.01)	(3,657.62)	(45,825.63)	(51,583.80)	(3,416.01)	(54,999.81)
Interest income, net	85,231.38	1,734.45	86,965.83	79,280.49	1,587.37	80,867.86
Fees and service income, net	21,944.65	97.34	22,041.99	21,134.18	209.23	21,343.41
Other operating income	15,557.89	102.10	15,659.99	14,344.78	51.32	14,396.10
Other operating expenses	(83,941.14)	(119.71)	(84,060.85)	(80,766.06)	(695.10)	(81,461.16)
Operating profit before income tax expenses	38,792.78	1,814.18	40,606.96	33,993.39	1,152.82	35,146.21

(Million Baht)

	<u>The Bank's Financial Statements</u>					
	<u>December 31, 2016</u>			<u>December 31, 2015</u>		
	Domestic	Foreign Branches		Domestic	Foreign Branches	
	Business	Business		Business	Business	
	<u>Segment</u>	<u>Segment</u>	<u>Total</u>	<u>Segment</u>	<u>Segment</u>	<u>Total</u>
Interest income	114,426.84	5,392.07	119,818.91	118,898.03	5,003.38	123,901.41
Interest expenses	(40,688.15)	(3,657.62)	(44,345.77)	(49,920.58)	(3,416.01)	(53,336.59)
Interest income, net	73,738.69	1,734.45	75,473.14	68,977.45	1,587.37	70,564.82
Fees and service income, net	18,680.61	97.34	18,777.95	17,546.89	209.23	17,756.12
Other operating income	12,582.72	102.10	12,684.82	10,986.56	51.32	11,037.88
Other operating expenses	(70,569.62)	(119.71)	(70,689.33)	(67,198.36)	(695.10)	(67,893.46)
Operating profit before income tax expenses	34,432.40	1,814.18	36,246.58	30,312.54	1,152.82	31,465.36

The consolidated and the Bank's financial statements for the years ended December 31, 2016 and 2015, has total interest income and interest expenses before eliminating net interbranch transactions of Baht 3,561.57 million and Baht 3,342.34 million, respectively.

6.26 Operations Classified by Operating Segment

Segment Definition

The Bank is organized into segments for internal management which the Management Committee of each segment is the chief operating decision-maker (CODM). Three reportable segments have been divided based on customer types and nature of businesses:

1) Retail banking segment: develops financial products and services, and also provides services for individual customers relating to deposits, loans, payment for goods and services as well as sale of products released by the Bank's subsidiaries and business alliances through network branches nationwide.

2) Wholesale banking segment: provides credit facilities and financial services to corporate clients

3) Treasury and investment segment: controls the Bank's financial structure to appropriate to make profit from the Bank's equity investment, foreign currency exchange services, international business and excess liquidity, and also supervising overseas branches and companies in which the Bank has invested.

Other segments comprise of middle offices, back offices, subsidiaries and associates.

Accounting Procedures for Segment Reporting

In contrast to the accounting procedures for external reporting, the accounting procedures of the operating segments are based on the principle of Economic Value Management (EVM), whereby performance is measured based on segment economic profit (EP), as included in the internal management reports that are reviewed by the Bank's CODM. In accordance with the EVM concept, all business units are treated as profit centers, having internal service charge (ISC) between service providing unit and service receiving unit. Fund Transfer Pricing (FTP) concept is used to calculating value of fund for fund provider unit and cost of fund for fund user unit. Income and expenses are allocated according to ownership basis in order to calculate the economic profit.

(Million Baht)

<u>Consolidated Financial Statements</u>						
<u>December 31, 2016</u>						
	<u>Retail</u>	<u>Wholesale</u>	<u>Treasury and</u>	<u>Support and</u>	<u>Adjustments</u>	<u>Total</u>
	<u>Banking</u>	<u>Banking</u>	<u>Investment</u>	<u>Others</u>		
Total operating income	56,573.57	36,373.33	10,744.93	20,113.70	862.29	¹ 124,667.82
Total expenses (excluding bad debts, doubtful						
accounts and loss on impairment)	(36,785.44)	(19,599.95)	(4,788.37)	(12,550.30)	16,029.48	^{1,2} (57,694.58)
Bad debts, doubtful accounts and loss on impairment	(5,039.53)	(8,050.98)	(641.45)	(20,096.66)	399.24	(33,429.38)
Net profit (loss)	14,748.60	8,722.40	5,315.11	(12,533.26)	17,291.01	33,543.86
Segment assets	829,308.90	1,075,229.16	8,553.73	819,748.99	(43,395.13)	³ 2,689,445.65
Segment liabilities	1,424,588.67	604,016.42	208,197.55	206,178.14	(32,682.07)	³ 2,410,298.71

6.26 Operations Classified by Operating Segment (Continued)

(Million Baht)

	Consolidated Financial Statements						
	December 31, 2015						
	Retail Banking	Wholesale Banking	Treasury and Investment	Support and Others	Adjustments		Total
Total operating income	54,099.82	36,702.91	10,708.59	15,093.39	2.66	¹	116,607.37
Total expenses (excluding bad debts, doubtful accounts and loss on impairment)	(35,396.57)	(16,645.87)	(6,034.49)	(16,958.65)	18,511.19	^{1,2}	(56,524.39)
Bad debts, doubtful accounts and loss on impairment	(5,133.42)	(21,325.25)	226.04	(4,309.03)	0.15		(30,541.51)
Net profit (loss)	13,569.83	(1,268.21)	4,900.14	(6,174.29)	18,514.00		29,541.47
Segment assets	857,059.94	1,178,327.23	145,539.44	634,263.81	139.23	³	2,815,329.65
Segment liabilities	1,492,179.43	682,309.15	194,276.24	204,616.07	(8,348.57)	³	2,565,032.32

¹ In the financial statements, certain gains are presented net of losses and shown either as gains under operating income or as losses under other operating expenses. However, these items from EVM data are predetermined as either income or expense regardless of whether they are gains or losses.

² Capital charge is recorded at each operating segment according to EVM concept, whereas, in the overall Bank's financial statements, capital charge is reversed.

³ Assets and liabilities in the financial statements are ending balances while assets and liabilities from EVM data are average balances.

6.27 Interest Income

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Interbank and money market items	11,212.56	12,091.97	11,211.74	12,088.79
Investment and trading transactions	136.96	319.53	136.96	319.53
Investment in debt	4,585.02	4,962.77	4,580.89	4,957.94
Loans	110,297.76	111,437.93	100,286.12	103,151.38
Hire-purchase and finance lease	2,957.22	3,679.05	1.39	7.64
Others	40.37	34.07	40.25	33.78
Total interest income	129,229.89	132,525.32	116,257.35	120,559.06

6.28 Interest Expenses

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Deposits	24,770.33	33,761.82	24,782.41	33,772.23
Interbank and money market items	2,718.95	2,579.58	2,489.97	2,150.18
Contributions to Bank of Thailand (BoT)	9,451.72	9,842.51	9,451.72	9,842.51
Contributions to Deposit Protection Agency (DPA)	205.99	214.71	205.99	214.71
Debt issued				
Subordinated notes	4,726.24	4,716.16	3,487.91	3,567.17
B/E	334.77	497.56	334.23	423.39
Borrowings	29.01	27.27	6.65	8.14
Others	27.05	17.86	25.32	15.91
Total interest expenses	42,264.06	51,657.47	40,784.20	49,994.24

6.29 Fees and Service Income, Net

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Fees and service income				
Acceptance, aval and guarantee	1,786.33	1,902.19	1,786.33	1,902.19
Others	24,145.12	22,321.65	19,474.32	18,032.19
Total fees and service income	25,931.45	24,223.84	21,260.65	19,934.38
Fees and service expenses	(3,889.46)	(2,880.43)	(2,482.70)	(2,178.26)
Fees and service income, net	22,041.99	21,343.41	18,777.95	17,756.12

6.30 Gains on Tradings and Foreign Exchange Transactions, Net

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Gains (losses) on tradings and foreign exchange transactions				
Foreign currency and foreign currency related derivatives	4,488.76	3,766.22	4,488.75	3,766.22
Interest rate related derivatives	2,010.31	2,069.10	1,984.94	2,106.81
Debt securities	23.63	515.94	23.63	515.94
Equity securities	(2.40)	(11.05)	(2.40)	(11.05)
Others	307.21	360.41	307.21	360.41
Total gains on tradings and foreign exchange transactions, net	6,827.51	6,700.62	6,802.13	6,738.33

6.31 Gains (Losses) on Investments, Net

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Gains (losses) on sale of				
Available-for-sale securities	664.85	580.65	664.85	580.65
General investments	5.47	13.29	5.47	13.29
Total	670.32	593.94	670.32	593.94
Reverse (losses) on impairment of				
General investments	24.25	54.19	24.25	54.19
Investment in subsidiaries and associates	-	-	-	(798.77)
Total	24.25	54.19	24.25	(744.58)
Total gains (losses) on investments, net	694.57	648.13	694.57	(150.64)

6.32 Bad Debts, Doubtful Accounts, and Loss on Impairment

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Interbank and money market items	265.23	(307.09)	265.23	(307.09)
Available-for-sale debt securities	(3.69)	-	(3.69)	-
Held-to-maturity debt securities	(0.15)	(0.15)	(0.15)	(0.15)
Loans to customers	33,144.33	30,823.02	26,711.11	24,281.36
Loss from troubled debt restructuring	23.66	25.73	23.66	25.73
Total bad debts, doubtful accounts, and loss on impairment	33,429.38	30,541.51	26,996.16	23,999.85

6.33 Income Tax Expenses

The Bank has been conducting tax management under its tax management policy by carrying out tax payment, tax filing and tax benefit utilization correctly according to the regulations of law.

The Bank has considered tax effects both current and future of benefit from carrying amount of assets or settlement of carrying amount of liabilities. If there is reasonably possible that the Bank will get benefits from carrying amount of assets or settlement of carrying amount of liabilities, allowing the Bank to pay income tax increase (or decrease) in its tax base in the future. Such consideration is based on estimates, assumptions, law changes that may occurred, legal interpretation and past experience. In the future, if changes occur, which resulted in Bank to change its decision on the sufficiency of income tax payable, any changes in income tax payable will affect on income tax expenses in the period that the changes occur.

Income tax expenses recognized in profit or losses for the years ended December 31, 2016 and 2015 are as follows:

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Current tax				
Current period	6,226.61	6,128.32	5,260.42	5,312.01
Deferred tax				
Movement in temporary differences	836.49	(523.58)	1,018.37	(320.40)
Total	<u>7,063.10</u>	<u>5,604.74</u>	<u>6,278.79</u>	<u>4,991.61</u>

Reconciliation of effective tax rates for the years ended December 31, 2016 and 2015 are as follows:

(Million Baht)

	<u>Consolidated Financial Statements</u>			
	<u>December 31, 2016</u>		<u>December 31, 2015</u>	
	<u>Tax Rate</u>	<u>Amount</u>	<u>Tax Rate</u>	<u>Amount</u>
Operating profit before income tax expenses		40,606.96		35,146.21
Income tax calculated statutory tax rates	20.00%	8,121.39	20.00%	7,029.24
Tax effects of income and expenses				
that are not taxable and deductible for tax purposes, net		(1,058.29)		(1,424.50)
Total	17.39%	<u>7,063.10</u>	15.95%	<u>5,604.74</u>

(Million Baht)

	<u>The Bank's Financial Statements</u>			
	<u>December 31, 2016</u>		<u>December 31, 2015</u>	
	<u>Tax Rate</u>	<u>Amount</u>	<u>Tax Rate</u>	<u>Amount</u>
Operating profit before income tax expenses		36,246.58		31,465.36
Income tax calculated statutory tax rates	20.00%	7,249.32	20.00%	6,293.07
Tax effects of income and expenses				
that are not taxable and deductible for tax purposes, net		(970.53)		(1,301.46)
Total	17.32%	<u>6,278.79</u>	15.86%	<u>4,991.61</u>

6.34 Components of Other Comprehensive Income and Related Taxes

Components of other comprehensive income and related taxes for the years ended December 31, 2016 and 2015.

(Million Baht)

	<u>Consolidated Financial Statements</u>					
	<u>December 31, 2016</u>			<u>December 31, 2015</u>		
	Amount	Tax (expense)	Net amount	Amount	Tax (expense)	Net amount
	<u>before tax</u>	<u>benefit</u>	<u>after tax</u>	<u>before Tax</u>	<u>benefit</u>	<u>after tax</u>
Changes in revaluation surplus on assets	2,528.02	(505.60)	2,022.42	(3.40)	0.68	(2.72)
Gains (losses) on remeasuring available-for-sale investments	6,724.39	(1,344.88)	5,379.51	(3,447.86)	689.57	(2,758.29)
Gains (losses) arising from translating the						
financial statements of foreign operations	(79.91)	-	(79.91)	(38.41)	-	(38.41)
Actuarial gains (losses) on defined benefit plans* (Note 6.17)	(936.61)	187.32	(749.29)	(214.15)	42.83	(171.32)
Share of other comprehensive income from associates	(216.64)	-	(216.64)	999.71	-	999.71
Other comprehensive income	8,019.25	(1,663.16)	6,356.09	(2,704.11)	733.08	(1,971.03)

(Million Baht)

	<u>The Bank's Financial Statements</u>					
	<u>December 31, 2016</u>			<u>December 31, 2015</u>		
	Amount	Tax (expense)	Net amount	Amount	Tax (expense)	Net amount
	<u>before tax</u>	<u>benefit</u>	<u>after tax</u>	<u>before Tax</u>	<u>benefit</u>	<u>after tax</u>
Changes in revaluation surplus on assets	2,528.02	(505.60)	2,022.42	(3.40)	0.68	(2.72)
Gains (losses) on remeasuring available-for-sale investments	6,724.39	(1,344.88)	5,379.51	(3,447.86)	689.57	(2,758.29)
Gains (losses) arising from translating the						
financial statements of foreign operations	(79.91)	-	(79.91)	(38.41)	-	(38.41)
Actuarial gains (losses) on defined benefit plans* (Note 6.17)	(849.70)	169.94	(679.76)	(342.10)	68.42	(273.68)
Other comprehensive income	8,322.80	(1,680.54)	6,642.26	(3,831.77)	758.67	(3,073.10)

*Recorded in retained earnings

6.35 The Transfer of Non-Performing Loans to Thai Asset Management Corporation (TAMC)

TAMC was established under the Emergency Decree on Thai Asset Management Corporation B.E. 2544 (2001) with an objective to manage impaired assets of financial institutions by acquisition of impaired assets of financial institutions. The transfer price shall be equal to the value of assets held as collateral, with respect to such impaired assets, according to the appraisal criteria specified by the BoT. TAMC and the Bank agree to recognize and share profit or loss arising from the management of impaired assets at the end of the year 5th and 10th since July 1, 2001. When TAMC and the Bank confirmed amount paid for assets, TAMC shall issue non-transferable promissory notes, with 10 year maturity and avaled by the FIDF, to the Bank. TAMC may exercise the right to redeem these promissory notes before their maturities.

TAMC permanently dissolved its organization on June 8, 2013 and transferred all remaining assets to the Ministry of Finance, which has assigned the Director General of the Comptroller General's Department (CGD) to undertake pending tasks.

As at December 31, 2015, The Bank had provision for losses on impaired assets management transferred to TAMC in the amount of Baht 3,461.48 million. [The Bank has gradually set aside allowances for doubtful account at 15 percent of the transferred price. (Net outstanding transferred price owing to TAMC is Baht 17,743.18 million.) The management has considered to set aside more provisions in the year 2012 and on June 30, 2016 of Baht 800 million and Baht 600 million, respectively.] On December 2, 2016, the Bank received a notification letter informed amount of loss on impaired asset management at Baht 3,946.61 million.

The Bank has agreed to pay losses from impaired asset management of Baht 3,946.61 million by offsetting with the amount owing from TAMC which had net outstanding transferred price at Baht 2,653.48 million recorded in held-to-maturity debt securities as at December 31, 2016 (Note 6.4) including promissory note interest and deposit interest of Baht 451 million and deducted withholding tax of Baht 4.51 million, totaling to Baht 3,099.97 million. After offsetting the losses and the amount of promissory note, the Bank was required to pay Baht 846.64 million which the Bank has already made a payment to the Ministry of Finance on December 16, 2016.

6.36 Fair Value of Financial Instruments

Financial assets and financial liabilities instruments carried at fair value classified by levels of valuation as follows:

(Million Baht)

	<u>Consolidated Financial Statements</u>							
	<u>December 31, 2016</u>				<u>December 31, 2015</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial Assets								
Derivative assets	-	30,063.05	-	30,063.05	-	34,039.14	-	34,039.14
Trading investments	-	17,103.12	-	17,103.12	4,758.45	23,520.67	-	28,279.12
Available-for-sale investments	32,883.94	73,356.92	-	106,240.86	6,737.13	87,003.34	-	93,740.47
Total financial assets	32,883.94	120,523.09	-	153,407.03	11,495.58	144,563.15	-	156,058.73
Financial Liabilities								
Derivative liabilities	-	31,516.69	-	31,516.69	-	37,232.57	-	37,232.57
Total financial liabilities	-	31,516.69	-	31,516.69	-	37,232.57	-	37,232.57

6.36 Fair Value of Financial Instruments (Continued)

(Million Baht)

<u>The Bank's Financial Statements</u>								
	<u>December 31, 2016</u>				<u>December 31, 2015</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial Assets								
Derivative assets	-	30,084.83	-	30,084.83	-	34,088.51	-	34,088.51
Trading investments	-	17,122.65	-	17,122.65	4,758.45	23,520.67	-	28,279.12
Available-for-sale investments	32,883.94	73,356.92	-	106,240.86	6,737.13	87,003.34	-	93,740.47
Total financial assets	32,883.94	120,564.40	-	153,448.34	11,495.58	144,612.52	-	156,108.10
Financial Liabilities								
Derivative liabilities	-	31,516.69	-	31,516.69	-	37,234.79	-	37,234.79
Total financial liabilities	-	31,516.69	-	31,516.69	-	37,234.79	-	37,234.79

There is no transfer between level 1 and 2 of the fair value hierarchy in the period.

Fair Value Hierarchy

Fair value hierarchy of the above assets and liabilities instruments depends on differences of data inputs in valuation which determined as follows:

- Level 1 – quoted market price (unadjusted) in active markets for identical assets or liabilities that the Bank can access at the measurement date.
- Level 2 – other directly or indirectly observable inputs for those assets and liabilities besides quoted market price in level 1.
- Level 3 – unobservable inputs for those assets and liabilities.

Valuation Techniques for Level 2

Fair value of derivatives is calculated by using valuation techniques included discounted cash flow model and option pricing model commonly used by market participants. Data used in the valuation is the observable input from reliable institutions, such as interest rates, currency rates, and volatilities.

Fair value of domestic debt securities is calculated by using the published price in the Thai Bond Market Association (ThaiBMA), while fair value of foreign debt securities calculated by using market price evaluated by reliable institutions.

Besides, the Bank has valuation adjustment using valuation techniques in order to reflect Credit Valuation Adjustment (CVA) by considering from credit spread and simulation that counterparties might be default.

6.37 Operation and Risk Management Policies within the Financial Business Group

The BoT's Notification No. SOR NOR SOR.6/2553 dated June 18, 2010, regarding the Consolidated Supervision Policy requires the Bank to disclose the operation and risk management policies within the financial business group as follows:

The operation and risk management within the financial business group are prepared as regulations to supervise the operation within the financial conglomerate, including the Bank and 11 companies within the financial business group (Note 6.5), in terms of common standards and procedures which conform to the BoT's consolidated supervision policy. The policies are approved by the Bank's board of directors and reviewed at least once a year. The policies also include operations, rules and regulations of business transactions, ratio of business transactions within the financial business group, and other related operating procedures. The operations within the group are conducted in the same manner as public operations and follow the Bank's corporate governance.

6.37 Operation and Risk Management Policies within the Financial Business Group (Continued)

In case of the Bank having business transactions with a company within the financial business group as it is the Bank's sector, the Bank will follow the BoT's relenting regulations.

6.38 Others

6.38.1 The Bank has a debtor prosecuted to the Supreme Court's Criminal Division for Holders of Political Positions by the Office of the Attorney General. The Supreme Court issued the order of acceptance on July 25, 2012. This debtor has granted credit limit on December 9, 2003 of Baht 9,900 million which has been drawn down of Baht 8,368.73 million. As at December 31, 2016, the arrears are totally the drawn amount including accrued interest. The Bank also set aside full amount of allowance for doubtful accounts as the prescription of BoT's regulations. Moreover, such case is related to accrued receivables from default debtors from convertible preferred shares contracts recorded in other assets of Baht 997.87 million with full amount of allowance for impairment. The Supreme Court's Criminal Division for Holders of Political Positions has already judged this suit on August 26, 2015. Moreover, the Bank submitted the letter to the Office of the Attorney General to designate the Department of Legal Execution, the Office of the Attorney General as the Bank's legal executioner. In January 2016, the Office of the Attorney General filed a complaint to the Supreme Court to nominate the executing officers. The Supreme Court has nominated executing officers accordingly. The Bank also provided them the result of property investigation of all debtors in accordance with the court judgment. On October 5, 2016 the attorneys of the Department of Special Litigation arranged a meeting for representatives from the Bank of Thailand, the Anti-money Laundering Office and the Bank to consider the problems regarding execution of the Supreme Court's order. They will coordinate and exchange information. And each will utilize its authority by the law and the Supreme Court's order for legal execution towards the defendants, most importantly for the Bank's benefits. Currently, the Bank has approved hiring a law firm to provide consult, guideline, procedure, priority of the order and proper means to execute this case, auction and administration of the properties that were used as guarantee so that the Bank earns maximum profits. Now the Bank has appointed a meeting between the law firm, the Bank's representatives, and the attorneys of Department of Special Litigation to further discuss the execution procedures.

6.38.2 In 2010, the Bank lend a company of USD 95.67 million (Baht 2,884.61 million) pledged an investment in ordinary shares of a foreign financial institution as collateral. Although such shares equaled to 50 percent of its authorized shares capital, are on the Bank's behalf, but the Bank has no influences over this invested financial institution. The Bank has already received full loan repayment under this contract since July, 2011, but not yet transferred those ordinary shares as collateral back to the company because the company need to find a financial institution to be a new investor first.

6.38.3 On October 12, 2016, the Bank is considering the principle of closing a certain foreign branch. It is currently following the process of branch closing and preparing a business continuity plan. Assets, liabilities and operating performances of the branch do not have a material effect on the Bank's financial statements.

6.39 Approval of the Financial Statements

These financial statements have been authorized to issue by the Board of Directors on February 28, 2017.
