



ธนาคารกรุงไทย
KRUNGTHAI BANK

Ref. KTB.FIS. 542 /2018

March 2nd, 2018

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, 2017 together with the operating performance as follows:

The Bank and its subsidiaries' operating results for the year ended December 31, 2017 show the net interest income of Bt.85,778m, a decrease of Bt.1,188m or 1.37% over the Bt.86,966m of the corresponding period of 2016. Net profit before income tax and allowance for doubtful accounts of Bt.73,741m shows a decrease of Bt.316m or 0.43% over the Bt.74,057m of the corresponding period of 2016. After deducting income tax and allowance for doubtful accounts of Bt.49,631m, net profit is Bt.24,110m, a decrease of Bt.9,455m or 28.17% over the Bt.33,565m of the corresponding period of 2016. Net profit attributable to Equity holders of the Bank is Bt.22,440m, a decrease of Bt.9,864m or 30.53% over the Bt.32,304m of the corresponding period of 2016.

The Bank and its subsidiaries' gross non-performing loans (NPLs) as at December 31, 2017 are Bt.103,020m, an increase of Bt.11,892m or 13.05% from Bt.91,128m as at December 31, 2016. The ratio of NPLs to loans increased to 4.19% compared with 3.97% as at December 31, 2016. Net non-performing loans (NPLs) are Bt.42,506m and net NPLs ratio are 1.77%. In 2017, the Bank and its subsidiaries set aside provision for impairment loss of loans and debt securities amounted to Bt.44,833m, increased by Bt.11,404m (34.11%) compared to the year 2016. The bank set aside more provision to be a buffer for the increased NPLs, maintain its coverage ratio and gradually prepare for the new financial reporting standard or IFRS9 implemented in the future. Thus, the Banks and its subsidiaries' coverage ratio was 121.71% slightly changed from 121.57% as at December 31, 2016 and also increased from 115.37% as at September 30, 2017.

Please be advised accordingly.

Sincerely yours,

Payong Srivanich

President

Financial Institutions Department Tel. +66 2 208 3668-9

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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, 2017, 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 Group and the Bank as at December 31, 2017, and its consolidated and the Bank's financial performance and its



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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'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

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



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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 of Thailand 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 as at December 31, 2017 represented 67.97 % of the Group's total assets and 67.31 % of the Bank's total assets, which an allowance for doubtful accounts in the



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consolidated and the Bank's financial statements amount of Baht 125,363.73 million and Baht 116,726.35 million was provided, respectively.

The Office of the Auditor General of Thailand focuses on allowance for doubtful accounts. 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 cash flows expected to be received from the sale of collateral, previous loss experience, the ability of the borrower to repay loans, the declining of economic and industries conditions. This is a process related to uncertainty. The accounting policy for allowance for doubtful accounts and detail of allowance for doubtful accounts are disclosed in Notes 3.8 and 7.7 to the financial statements, respectively.

Office of the Auditor General of Thailand

The Office of the Auditor General of Thailand'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

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still calibrated in a way which is appropriate for the impairment risks in the Bank's loan portfolios;

- 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 of Thailand 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 the information included in the annual report, but does not include the consolidated and the Bank's



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financial statements and the auditor's report thereon. The annual report is expected to be made available to the Office of the Auditor General of Thailand after the date of this auditor's report.

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.

Office of the Auditor General of Thailand

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.

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



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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 or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group and the Bank'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 material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the



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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:

Office of the Auditor General of Thailand

- 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.

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- 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 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.

- 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



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statements. The Office of the Auditor General of Thailand is responsible for the direction, supervision and performance of the Group audit. The Office of the Auditor General of Thailand remains solely responsible for the Office of the Auditor General of Thailand's opinion.

Office of the Auditor General of Thailand

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



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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)

Pattha Showsri

(Pattha Showsri)

Inspector General

(Signed)

Ratchanee Cholnakijkul

(Ratchanee Cholnakijkul)

Director of Financial Audit Office No.2

Office of the Auditor General of Thailand

February 28, 2018

KRUNG THAI BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER, 2017

(Thousand Baht)

	NOTE	CONSOLIDATED			THE BANK'S		
		FINANCIAL STATEMENTS			FINANCIAL STATEMENTS		
		DECEMBER 31, 2017	DECEMBER 31, 2016	JANUARY 1, 2016	DECEMBER 31, 2017	DECEMBER 31, 2016	JANUARY 1, 2016
			(RESTATED)	(BEGINNING BALANCE)		(RESTATED)	(BEGINNING BALANCE)
ASSETS							
CASH		73,572,868	72,106,416	71,470,113	73,334,740	71,929,866	71,294,408
INTERBANK AND MONEY MARKET ITEMS, NET	7.2	549,669,529	431,638,413	397,357,971	549,180,025	431,350,214	397,061,378
CLAIMS ON SECURITIES		58,521,800	21,421,700	13,494,400	58,521,800	21,421,700	13,494,400
DERIVATIVES ASSETS	7.3	33,833,398	30,063,046	34,039,142	33,842,515	30,084,832	34,088,515
INVESTMENTS, NET	7.4	209,514,532	226,931,461	247,058,553	209,311,888	226,670,035	246,787,948
INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES, NET	7.5	18,725,225	15,591,453	14,910,552	10,697,950	10,687,703	10,687,703
LOANS TO CUSTOMERS AND ACCRUED INTEREST RECEIVABLES, NET	7.6						
LOANS TO CUSTOMERS		1,939,927,818	1,907,821,949	2,033,250,476	1,865,483,424	1,837,243,223	1,969,827,420
ACCRUED INTEREST RECEIVABLES		5,211,737	5,270,682	5,900,902	4,691,079	4,774,560	5,462,813
TOTAL LOANS TO CUSTOMERS AND ACCRUED INTEREST RECEIVABLES		1,945,139,555	1,913,092,631	2,039,151,378	1,870,174,503	1,842,017,783	1,975,290,233
LESS DEFERRED REVENUE		(1,846,301)	(3,733,253)	(5,810,002)	(87,092)	(122,922)	(165,766)
LESS ALLOWANCE FOR DOUBTFUL ACCOUNTS	7.7	(125,363,725)	(110,719,616)	(85,823,934)	(116,726,345)	(102,859,894)	(77,221,061)
LESS REVALUATION ALLOWANCE FOR DEBT RESTRUCTURING	7.8	(17,264)	(61,619)	(132,627)	(17,264)	(61,619)	(132,627)
TOTAL LOANS TO CUSTOMERS AND ACCRUED INTEREST RECEIVABLES, NET		1,817,912,265	1,798,578,143	1,947,384,815	1,753,343,802	1,738,973,348	1,897,770,779
CUSTOMERS' LIABILITIES UNDER ACCEPTANCES		152,852	45,949	1,567,806	152,852	45,949	1,567,806
PROPERTIES FOR SALE, NET	7.9	35,509,936	35,743,634	30,008,144	35,486,341	35,668,551	29,909,856
PREMISES AND EQUIPMENT, NET	7.10	26,019,406	27,312,663	26,354,526	24,413,806	25,239,008	21,376,845
OTHER INTANGIBLE ASSETS, NET	7.11	3,906,494	4,210,901	4,571,604	895,359	870,720	897,367
DEFERRED TAX ASSETS	7.12	4,592,766	4,496,456	6,996,109	2,130,345	2,321,669	5,020,583
ACCRUED INCOME		3,476,209	2,853,937	3,788,212	3,188,162	2,589,233	3,578,869
OTHER ASSETS, NET	7.13	18,802,727	18,709,178	16,564,767	17,082,986	16,945,112	15,071,377
TOTAL ASSETS		2,854,210,007	2,689,703,350	2,815,566,714	2,771,582,571	2,614,797,940	2,748,607,834
LIABILITIES AND EQUITY							
DEPOSITS	7.14	2,070,874,680	1,972,403,532	2,135,498,511	2,073,594,012	1,975,157,675	2,137,446,488
INTERBANK AND MONEY MARKET ITEMS, NET	7.15	228,691,395	211,171,312	200,897,842	219,066,748	201,716,003	184,356,199
LIABILITIES PAYABLE ON DEMAND		5,291,692	5,082,471	6,121,116	5,291,692	5,082,471	6,121,116
LIABILITIES TO DELIVER SECURITIES		58,521,804	21,421,700	13,494,400	58,521,804	21,421,700	13,494,400
DERIVATIVES LIABILITIES	7.3	30,284,422	31,516,693	37,232,572	30,284,422	31,516,693	37,234,793
DEBT ISSUED AND BORROWINGS	7.16	110,626,429	112,685,859	109,585,463	67,271,429	71,262,859	80,282,975
BANK'S LIABILITIES UNDER ACCEPTANCES		152,852	45,949	1,567,806	152,852	45,949	1,567,806
PROVISIONS	7.17	12,625,672	11,152,279	14,424,688	11,524,569	10,163,418	13,634,737
OTHER LIABILITIES	7.18	42,922,118	44,818,915	46,209,922	35,745,892	37,976,431	39,997,788
TOTAL LIABILITIES		2,559,991,064	2,410,298,710	2,565,032,320	2,501,453,420	2,354,343,199	2,514,136,302

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

KRUNG THAI BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER, 2017

(Thousand Baht)

	NOTE	CONSOLIDATED			THE BANK'S		
		FINANCIAL STATEMENTS			FINANCIAL STATEMENTS		
		DECEMBER 31, 2017	DECEMBER 31, 2016	JANUARY 1, 2016	DECEMBER 31, 2017	DECEMBER 31, 2016	JANUARY 1, 2016
			(RESTATED)	(BEGINNING BALANCE)		(RESTATED)	(BEGINNING BALANCE)
LIABILITIES AND EQUITY (CONTINUED)							
EQUITY							
SHARE CAPITAL	7.19						
AUTHORIZED SHARE CAPITAL							
5,500,000 PREFERRED SHARES OF BAHT 5.15 EACH		28,325	28,325	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	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	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	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	20,833,734	20,833,734
OTHER COMPONENTS OF EQUITY		21,918,740	17,748,818	10,643,441	15,015,969	13,729,430	6,407,413
RETAINED EARNINGS							
APPROPRIATED							
LEGAL RESERVE	7.20	7,200,504	7,200,504	7,200,504	7,200,504	7,200,504	7,200,504
UNAPPROPRIATED		165,903,237	156,398,935	135,437,101	155,073,904	146,686,033	128,024,841
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		287,861,255	274,187,031	246,119,820	270,129,151	260,454,741	234,471,532
NON-CONTROLLING INTEREST		6,357,688	5,217,609	4,414,574			
TOTAL EQUITY		294,218,943	279,404,640	250,534,394	270,129,151	260,454,741	234,471,532
TOTAL LIABILITIES AND EQUITY		2,854,210,007	2,689,703,350	2,815,566,714	2,771,582,571	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

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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, 2017

(Thousand Baht)

	NOTE	CONSOLIDATED		THE BANK'S	
		FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
		2017	2016	2017	2016
		(RESTATED)			
INTEREST INCOME	7.27	122,507,449	129,229,887	108,995,574	116,257,345
INTEREST EXPENSES	7.28	36,729,408	42,264,056	35,132,892	40,784,204
INTEREST INCOME, NET		85,778,041	86,965,831	73,862,682	75,473,141
FEES AND SERVICE INCOME		28,638,265	25,931,448	23,357,785	21,260,651
FEES AND SERVICE EXPENSES		4,617,113	3,889,459	3,094,940	2,482,700
FEES AND SERVICE INCOME, NET	7.29	24,021,152	22,041,989	20,262,845	18,777,951
GAINS ON TRADINGS AND FOREIGN EXCHANGE TRANSACTIONS, NET	7.30	4,316,920	6,827,507	4,305,798	6,802,133
GAINS ON INVESTMENTS, NET	7.31	928,659	694,573	924,966	694,573
SHARE OF PROFIT FROM INVESTMENTS FOR USING EQUITY METHOD		2,264,089	3,103,776	-	-
DIVIDEND INCOME		415,452	481,744	3,435,393	3,561,154
REVENUES FROM LITIGATION COMPENSATION	7.37.1	1,635,735	-	1,635,735	-
OTHER OPERATING INCOME		3,776,846	4,573,025	908,382	1,626,956
TOTAL OPERATING INCOME		123,136,894	124,688,445	105,335,801	106,935,908
OTHER OPERATING EXPENSES					
EMPLOYEES' EXPENSES		27,439,450	27,946,699	21,996,338	22,726,102
DIRECTORS' REMUNERATION		99,238	105,924	71,983	78,196
PREMISES AND EQUIPMENT EXPENSES		8,560,565	8,829,528	4,971,059	5,101,364
TAXES AND DUTIES		4,364,252	4,526,003	3,878,956	4,072,890
OTHERS		8,932,387	9,223,322	11,785,667	11,714,621
TOTAL OTHER OPERATING EXPENSES		49,395,892	50,631,476	42,704,003	43,693,173
IMPAIRMENT LOSS OF LOANS AND DEBT SECURITIES	7.32	44,833,388	33,429,379	37,499,849	26,996,155
OPERATING PROFIT BEFORE INCOME TAX EXPENSES		28,907,614	40,627,590	25,131,949	36,246,580
INCOME TAX EXPENSES	7.33	4,797,336	7,063,097	3,819,483	6,278,794
NET PROFIT		24,110,278	33,564,493	21,312,466	29,967,786

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

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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, 2017

(Thousand Baht)				
	NOTE	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS
		2017	2016 (RESTATED)	2017 2016
OTHER COMPREHENSIVE INCOME				
ITEMS THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS				
GAINS ON REMEASURING AVAILABLE-FOR-SALE INVESTMENTS		574,929	6,724,383	574,929 6,724,383
GAINS FROM RECLASSIFICATION OF INVESTMENTS		805,442	-	805,442 -
GAINS (LOSSES) ARISING FROM TRANSLATING THE FINANCIAL STATEMENTS OF FOREIGN OPERATIONS		192,586	(79,909)	192,586 (79,909)
SHARE OF OTHER COMPREHENSIVE INCOME OF ASSOCIATES (EQUITY METHOD)				
FOR ITEMS THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS		2,883,383	(216,640)	- -
RELATED INCOME TAX EXPENSES				
FOR ITEMS THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS		(276,074)	(1,344,876)	(276,074) (1,344,876)
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS				
CHANGES IN REVALUATION SURPLUS ON ASSETS		(12,928)	2,528,024	(12,928) 2,528,024
ACTUARIAL LOSSES ON DEFINED BENEFIT PLANS		(1,149,468)	(936,608)	(1,124,505) (849,697)
RELATED INCOME TAX EXPENSES				
FOR ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS		232,478	(318,284)	227,486 (335,665)
OTHER COMPREHENSIVE INCOME, NET	7.34	3,250,348	6,356,090	386,936 6,642,260
TOTAL COMPREHENSIVE INCOME		27,360,626	39,920,583	21,699,402 36,610,046
NET PROFIT ATTRIBUTABLE				
EQUITY HOLDERS OF THE BANK		22,440,009	32,303,655	21,312,466 29,967,786
NON-CONTROLLING INTEREST		1,670,269	1,260,838	- -
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE				
EQUITY HOLDERS OF THE BANK		25,699,216	38,694,048	21,699,402 36,610,046
NON-CONTROLLING INTEREST		1,661,410	1,226,535	- -
EARNINGS PER SHARE OF PARENT COMPANY				
BASIC EARNINGS PER SHARE (BAHT)		1.61	2.31	1.52 2.14

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

(Thousand Baht)

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

FOR THE YEAR ENDED DECEMBER 31, 2017

(Signed) Somchai Sujjapongse

SOMCHAI SUJJAPONGSE

CHAIRMAN OF THE BOARD OF DIRECTORS

(Signed) Payong Srivaniich

PAYONG SRIVANICH

PRESIDENT

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

FOR THE YEAR ENDED DECEMBER 31, 2017

(Thousand Baht)

	CONSOLIDATED		THE BANK'S	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2017	2016	2017	2016
		(RESTATED)		(RESTATED)
CASH FLOWS FROM OPERATING ACTIVITIES				
OPERATING PROFIT BEFORE INCOME TAX EXPENSES	28,907,614	40,627,590	25,131,949	36,246,580
ADJUSTMENTS TO RECONCILE OPERATING PROFIT BEFORE INCOME TAX EXPENSES				
TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
DEPRECIATION AND AMORTIZATION EXPENSES	2,954,393	3,339,561	1,405,051	1,459,325
BAD DEBTS, DOUBTFUL ACCOUNTS AND LOSS ON IMPAIRMENT	44,833,388	33,429,379	37,499,849	26,996,155
SHARE OF PROFIT FROM INVESTMENTS FOR USING EQUITY METHOD	(2,264,089)	(3,103,776)	-	-
(GAIN) LOSS ON DISPOSAL OF ASSETS	(4,511)	147,358	(1,978)	(475)
GAIN ON LIQUIDATION OF INVESTMENTS IN SUBSIDIARY COMPANY	-	-	(252,253)	-
GAIN ON DISPOSAL OF INVESTMENTS	(663,756)	(670,322)	(663,756)	(670,322)
(GAIN) LOSS ON REVALUATION OF INVESTMENTS	(85,736)	26,096	(85,736)	26,096
LOSS (REVERSAL) ON IMPAIRMENT OF PROPERTIES FOR SALE	(1,825)	827,466	(12,900)	846,167
REVERSAL ON IMPAIRMENT OF INVESTMENTS	(12,651)	(24,253)	(8,957)	(24,251)
REVERSAL ON IMPAIRMENT OF PREMISES AND EQUIPMENT	-	(703,493)	-	(703,493)
LOSS ON IMPAIRMENT OF OTHER ASSETS	95,175	49,101	95,175	49,101
AMORTIZATION OF DISCOUNT ON INVESTMENTS	(167,230)	(211,595)	(164,531)	(208,338)
LOSS (GAIN) ON FOREIGN CURRENCY TRANSLATION	(43,408)	1,658,724	(41,859)	1,658,786
INCREASE (DECREASE) IN PROVISIONS	241,919	(4,061,338)	83,822	(4,294,489)
INCREASE IN OTHER ACCRUED INCOME	(780,652)	(82,995)	(757,308)	(27,634)
INCREASE (DECREASE) IN OTHER ACCRUED EXPENSES	(2,508,938)	1,241,056	(2,575,328)	1,019,077
	70,499,693	72,488,559	59,651,240	62,372,285
INTEREST INCOME, NET	(85,778,041)	(86,965,831)	(73,862,682)	(75,473,141)
DIVIDEND INCOME	(415,452)	(481,744)	(3,435,393)	(3,561,154)
PROCEEDS FROM INTEREST INCOME	122,784,458	130,943,952	109,297,119	118,029,444
CASH PAID ON INTEREST EXPENSES	(37,203,217)	(43,825,712)	(35,622,640)	(42,352,644)
PROCEEDS FROM DIVIDEND INCOME	415,452	481,744	415,452	481,744
CASH PAID ON INCOME TAX EXPENSES	(5,192,682)	(5,029,927)	(3,963,815)	(3,933,799)
OPERATING INCOME BEFORE CHANGES IN				
OPERATING ASSETS AND LIABILITIES	65,110,211	67,611,041	52,479,281	55,562,735
(INCREASE) DECREASE IN OPERATING ASSETS				
INTERBANK AND MONEY MARKET ITEMS	(118,090,802)	(34,347,017)	(117,889,497)	(34,355,411)
CLAIMS ON SECURITIES	(37,100,100)	(7,927,300)	(37,100,100)	(7,927,300)
INVESTMENTS IN TRADING SECURITIES	8,704,406	8,599,092	8,720,927	8,579,558
LOANS TO CUSTOMERS	(72,349,087)	101,586,374	(60,076,417)	117,952,325
PROPERTIES FOR SALE	4,694,565	5,616,984	4,647,574	5,575,077
OTHER ASSETS	(887,001)	3,546,249	(919,875)	3,844,837
INCREASE (DECREASE) IN OPERATING LIABILITIES				
DEPOSITS	98,471,149	(163,094,979)	98,436,338	(162,288,814)
INTERBANK AND MONEY MARKET ITEMS	17,520,083	10,273,470	17,350,745	17,359,805
LIABILITIES PAYABLE ON DEMAND	209,221	(1,038,645)	209,221	(1,038,645)
LIABILITIES TO DELIVER SECURITIES	37,100,104	7,927,300	37,100,104	7,927,300
DEBT ISSUED AND SHORT-TERM BORROWINGS	-	(60,154)	-	(1,174)
OTHER LIABILITIES	(278,694)	(8,625,051)	(377,808)	(8,941,551)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	3,104,055	(9,932,636)	2,580,493	2,248,742

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, 2017

(Thousand Baht)

	CONSOLIDATED		THE BANK'S	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2017	2016	2017	2016
		(RESTATED)		(RESTATED)
CASH FLOWS FROM INVESTING ACTIVITIES				
PURCHASES OF AVAILABLE FOR SALE SECURITIES	(143,931,576)	(114,193,503)	(143,931,576)	(114,193,503)
PROCEEDS FROM DISPOSAL OF AVAILABLE FOR SALE SECURITIES	133,965,418	107,902,226	133,965,418	107,902,226
PURCHASES OF HELD TO MATURITY DEBT SECURITIES	(1,194,485)	(6,711,625)	(316,487)	(5,890,528)
PROCEEDS FROM DISPOSAL OF HELD TO MATURITY DEBT SECURITIES	19,369,774	28,409,987	18,413,774	27,595,987
PURCHASES OF GENERAL INVESTMENTS	(358,369)	(348,458)	(358,369)	(348,458)
PROCEEDS FROM DISPOSAL OF GENERAL INVESTMENTS	536,991	288,485	536,991	288,485
PURCHASES OF INVESTMENTS IN ASSOCIATED COMPANIES	(14,942)	-	(14,942)	-
PROCEEDS FROM LIQUIDATION OF INVESTMENTS IN SUBSIDIARY COMPANY	-	-	253,253	-
PROCEEDS FROM DIVIDEND INCOME FROM SUBSIDIARIES AND ASSOCIATES	2,028,641	2,206,235	3,019,941	3,079,410
PURCHASES OF INTANGIBLE ASSETS	(512,027)	(471,217)	(171,753)	(108,779)
PURCHASES OF PREMISES AND EQUIPMENT	(895,010)	(1,514,570)	(453,364)	(1,173,753)
PROCEEDS FROM DISPOSAL OF PREMISES AND EQUIPMENT	78,039	1,989,913	2,221	663
NET CASH PROVIDED BY INVESTING ACTIVITIES	9,072,454	17,557,473	10,945,107	17,151,750
CASH FLOWS FROM FINANCING ACTIVITIES				
PROCEEDS FROM DEBT ISSUED AND LONG-TERM BORROWINGS	31,500,000	19,850,000	20,000,000	-
REPAYMENTS OF DEBT ISSUED AND LONG-TERM BORROWINGS	(29,856,320)	(15,708,288)	(20,288,320)	(8,058,288)
DIVIDEND PAID-ORDINARY SHARE	(12,019,412)	(10,621,807)	(12,019,412)	(10,621,807)
DIVIDEND PAID-PREFERRED SHARE	(5,580)	(5,030)	(5,580)	(5,030)
DIVIDEND PAID TO NON-CONTROLLING INTEREST	(521,331)	(423,500)	-	-
NET CASH USED IN FINANCING ACTIVITIES	(10,902,643)	(6,908,625)	(12,313,312)	(18,685,125)
GAIN (LOSS) ON ARISING FROM TRANSLATING THE FINANCIAL STATEMENTS OF FOREIGN OPERATIONS	192,586	(79,909)	192,586	(79,909)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,466,452	636,303	1,404,874	635,458
BEGINNING BALANCE OF CASH AND CASH EQUIVALENTS	72,106,416	71,470,113	71,929,866	71,294,408
ENDING BALANCE OF CASH AND CASH EQUIVALENTS	73,572,868	72,106,416	73,334,740	71,929,866

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, 2017**

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 Bank and a Holding Company that is the Parent Company of a Financial Group, including any other supplementary BoT's notifications; and with the regulations of the Stock Exchange of Thailand (SET) dated October 2, 2017, regarding the Preparation and Submission of Financial Statements, Financial reports and operating results of Business Operations of Listed Companies, B.E. 2560 (2017). 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 with the Bank and its subsidiaries financial statements in which the Bank is a controlling interest after eliminating material intercompany transactions and balances. The 7 consolidated subsidiaries are KTB Law Co., Ltd., KTB General Services and Security Co., Ltd., Krung Thai Asset Management Pcl., KTB Computer Services Co., Ltd., KTB Leasing Co., Ltd., KTB Advisory Co., Ltd., and Krungthai Card Pcl.

Percentages of shareholdings and investments in the Bank's subsidiaries and associates are shown in Note 7.5.

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, 2017 and 2016 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 statements 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, 2017. 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, 2018 that are relevant to the Bank as follows:

TAS 1 (revised 2017)	Presentation of Financial Statements
TAS 7 (revised 2017)	Statements of Cash Flows
TAS 8 (revised 2017)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2017)	Events after the Reporting Period
TAS 12 (revised 2017)	Income Taxes
TAS 16 (revised 2017)	Property, Plant and Equipment
TAS 17 (revised 2017)	Leases
TAS 18 (revised 2017)	Revenue
TAS 19 (revised 2017)	Employee Benefits
TAS 20 (revised 2017)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2017)	The Effects of Changes in Foreign Exchange Rates
TAS 23 (revised 2017)	Borrowing Costs
TAS 24 (revised 2017)	Related Party Disclosures
TAS 26 (revised 2017)	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2017)	Separate Financial Statements
TAS 28 (revised 2017)	Investments in Associates and Joint Ventures
TAS 29 (revised 2017)	Financial Reporting in Hyperinflationary Economies
TAS 33 (revised 2017)	Earnings per Share
TAS 34 (revised 2017)	Interim Financial Reporting
TAS 36 (revised 2017)	Impairment of Assets
TAS 37 (revised 2017)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2017)	Intangible Assets
TAS 40 (revised 2017)	Investment Property

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 2017)	Share-based Payment
TFRS 3 (revised 2017)	Business Combinations
TFRS 4 (revised 2017)	Insurance Contracts
TFRS 5 (revised 2017)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 8 (revised 2017)	Operating Segments
TFRS 10 (revised 2017)	Consolidated Financial Statements
TFRS 11 (revised 2017)	Joint Arrangements
TFRS 12 (revised 2017)	Disclosure of Interests in Other Entities
TFRS 13 (revised 2017)	Fair Value Measurement
TSIC 10 (revised 2017)	Government Assistance-No Specific Relation to Operating Activities
TSIC 15 (revised 2017)	Operating Leases-Incentives
TSIC 25 (revised 2017)	Income Taxes-Changes in the Tax Status of an Entity or its Shareholders
TSIC 27 (revised 2017)	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 31 (revised 2017)	Revenue-Barter Transactions Involving Advertising Services
TSIC 32 (revised 2017)	Intangible Assets-Web Site Costs
TFRIC 1 (revised 2017)	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4 (revised 2017)	Determining whether an Arrangement contains a Lease
TFRIC 5 (revised 2017)	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7 (revised 2017)	Applying the Restatements Approach under TAS 29 (revised 2017) Financial Reporting in Hyperinflationary Economies
TFRIC 10 (revised 2017)	Interim Financial Reporting and Impairment
TFRIC 13 (revised 2017)	Customer Loyalty Programmes
TFRIC 14 (revised 2017)	TAS 19 (revised 2017) – The Limit on a Defined Benefit Asset, Minimum
TFRIC 17 (revised 2017)	Distributions of Non-cash Assets to Owners
TFRIC 18 (revised 2017)	Transfers of Assets from Customers
TFRIC 21 (revised 2017)	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 3 months is ceased to recognize and reversed from the due date, and interest income will be recognized on an accrual basis when received all overdue payments.
- 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 other components of 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-years 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-years 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 years 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 other components of 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 other components of 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 effect 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 over their useful lives 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 trading 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 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.

3.19 Earnings per Share

Basic earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares outstanding.

3.20 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 2016): 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 2016), paragraph 14 when satisfied all of the following criteria:

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

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.

3.21 Customer Loyalty Programme

The Bank's 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's 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.

3.22 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 at all time. The Bank continually evaluate and follow up situations both inside and outside country in order to assess the risk that may impact on solvency of the debtors and the Bank's loan portfolio. The Bank focuses on a credit expansion to both existing and new customers with high potentiality and appropriate yield. The Bank highly concentrates on customer evaluation, business potential, ability to repay debt, and obvious objective of loan purpose. The Bank develops risk management tool for better evaluation of customer business performance 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. The credit risk management policies and guidelines are reviewed/improved at least once a year in order to match with current situation. The Bank also concentrates on economic and business research that related to the Bank's loan portfolio in order to monitor loan portfolio efficiently and effectively, such as Industry Direction in managing Stress Testing and Industry Indicators as a tool for better loan portfolio 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.

4.1 The Bank's Risk Information (Continued)

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.

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 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)

	<u>December 31, 2017</u>						
	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	522,794.48	7,077.87	5,367.09	1.56	17,721.97	-	552,962.97
Investments*	30,848.88	9,753.61	10,825.23	133,922.83	19,991.57	-	205,342.12
Loans to customers	1,357,047.26	204,878.81	163,255.01	40,578.57	1,086.38	98,637.39	1,865,483.42
Total financial assets	1,910,690.62	221,710.29	179,447.33	174,502.96	38,799.92	98,637.39	2,623,788.51
Financial liabilities							
Deposits	1,462,873.53	132,820.09	255,548.29	126,012.48	96,339.62	-	2,073,594.01
Interbank and money market items	151,649.33	12,041.79	8,359.92	38,600.44	8,415.27	-	219,066.75
Debt issued and borrowings	0.70	-	16,335.70	50,935.03	-	-	67,271.43
Total financial liabilities	1,614,523.56	144,861.88	280,243.91	215,547.95	104,754.89	-	2,359,932.19

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

4.1 The Bank's Risk Information (Continued)

(Million Baht)

<u>December 31, 2016</u>							
	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	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	38,620.07	4,440.10	-	201,716.00
Debt issued and borrowings	0.70	5,155.00	15,133.32	50,973.84	-	-	71,262.86
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)

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 of 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 the Company's significant risks and 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 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 Ratio

As at December 31, 2017, and 2016, the Bank has deposits at the BOT and cash at Cash Center Bank of Baht 19,507.24 million and Baht 29,235.90 million which the Bank has average fortnightly liquid assets not less than 1 percent of deposits and borrowings as prescribed by the BoT.

Sources and Uses of Funds

Sources and uses of funds As at December 31, 2017, the Bank and its subsidiaries' major sources of funds were deposits accounting for 72.56 percent of total funds. Other significant sources of funds included net interbank and money market items (liabilities) of 8.01 percent, debt issued and borrowings of 3.88 percent, and equity of 10.31 percent.

The Bank and its subsidiaries' uses of funds were loans to customers 67.90 percent of total uses of funds. Other significant uses of funds included net interbank and money market items (assets) of 19.26 percent and net investments of 8.00 percent.

4.1 The Bank's Risk Information (Continued)

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Sources of Funds		
Deposits	72.56%	73.33%
Interbank and money market items, net	8.01%	7.85%
Debt issued and borrowings	3.88%	4.19%
Equity	10.31%	10.39%
Uses of Funds		
Loans to customers	67.90%	70.79%
Interbank and money market items, net	19.26%	16.05%
Investments, net	8.00%	9.02%

Loans to Deposits Ratio

On the consolidated financial statements as at December 31, 2017, the Bank has loans to deposits ratio of 93.59 percent which has decreased from 96.54 percent as at December 31, 2016.

Loan to deposits ratio on the Bank's financial statements as at December 31, 2017 is 89.96 percent which has decreased from 93.01 percent as at December 31, 2016. As a result of loan increased 1.54 percent and the reduction of deposits increased 4.98 percent from the end of the year 2016.

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Loans to deposits ratio (Consolidated financial statements)	93.59%	96.54%
Loans to deposits ratio (The Bank's financial statements)	89.96%	93.01%

As at December 31, 2017 and December 31, 2016, the Bank's financial assets and liabilities are classified by remaining maturity as follows:

(Million Baht)

	<u>December 31, 2017</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	436,285.59	32,790.72	65,811.50	14,292.22	-	549,180.03
Investments, net*	39,337.15	9,754.27	10,907.06	149,313.41	10,697.95	220,009.84
Loans to customers	110,911.92	101,363.25	408,884.17	1,244,324.08	-	1,865,483.42
Total financial assets	586,534.66	143,908.24	485,602.73	1,407,929.71	10,697.95	2,634,673.29
Financial Liabilities						
Deposits	1,557,499.12	134,289.86	252,969.41	128,835.62	-	2,073,594.01
Interbank and money market items, net	163,604.12	8,558.36	8,303.53	38,600.74	-	219,066.75
Debt issued and borrowings	0.70	-	16,335.70	50,935.03	-	67,271.43
Total financial liabilities	1,721,103.94	142,848.22	277,608.64	218,371.39	-	2,359,932.19

*Included investments in subsidiaries and associates.

4.1 The Bank's Risk Information (Continued)

(Million Baht)

	December 31, 2016					
	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	167,853.60	10,687.70	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	1,406,252.61	10,687.70	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	38,620.18	-	201,716.00
Debt issued and borrowings	0.70	5,155.00	15,133.32	50,973.84	-	71,262.86
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.

4.2 Fair Value of Financial Instruments

(Million Baht)

	<u>Consolidated Financial Statements</u>			
	<u>December 31, 2017</u>		<u>December 31, 2016</u>	
	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair Value</u>
Financial Assets				
Cash	73,572.87	73,572.87	72,106.42	72,106.42
Interbank and money market items, net	549,669.53	549,669.53	431,638.41	431,638.41
Derivative assets	33,833.40	33,833.40	30,063.05	30,063.05
Investments, net*	228,239.76	228,240.26	242,522.91	243,136.08
Loans to customers and accrued interest receivables, net	1,817,912.27	1,817,912.27	1,798,578.14	1,798,578.14
Total financial assets	2,703,227.83	2,703,228.33	2,574,908.93	2,575,522.10
Financial Liabilities				
Deposits	2,070,874.68	2,070,874.68	1,972,403.53	1,972,403.53
Interbank and money market items, net	228,691.40	223,399.10	211,171.31	206,139.44
Liabilities payable on demand	5,291.69	5,291.69	5,082.47	5,082.47
Derivative liabilities	30,284.42	30,284.42	31,516.69	31,516.69
Debt issued and borrowings	110,626.43	111,455.31	112,685.86	113,974.42
Total financial liabilities	2,445,768.62	2,441,305.20	2,332,859.86	2,329,116.55

*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, 2017</u>		<u>December 31, 2016</u>	
	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair Value</u>
Financial Assets				
Cash	73,334.74	73,334.74	71,929.87	71,929.87
Interbank and money market items, net	549,180.03	549,180.03	431,350.21	431,350.21
Derivative assets	33,842.51	33,842.51	30,084.83	30,084.83
Investments, net*	220,009.84	254,948.87	237,357.74	263,697.95
Loans to customers and accrued interest receivables, net	1,753,343.80	1,753,343.80	1,738,973.35	1,738,973.35
Total financial assets	2,629,710.92	2,664,649.95	2,509,696.00	2,536,036.21
Financial Liabilities				
Deposits	2,073,594.01	2,073,594.01	1,975,157.67	1,975,157.67
Interbank and money market items, net	219,066.75	213,774.45	201,716.00	196,684.13
Liabilities payable on demand	5,291.69	5,291.69	5,082.47	5,082.47
Derivative liabilities	30,284.42	30,284.42	31,516.69	31,516.69
Debt issued and borrowings	67,271.43	68,100.31	71,262.86	72,551.42
Total financial liabilities	2,395,508.30	2,391,044.88	2,284,735.69	2,280,992.38

* Included investments in subsidiaries and associates.

4.3 Statutory Capital Fund

As at December 31, 2017 and 2016 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 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>2017</u>	<u>2016</u>
	<u>More than %</u>	<u>More than %</u>
Tier 1 capital fund ratios - equity	5.75	5.125
Tier 1 capital fund ratios	7.25	6.625
Total capital fund ratios	9.75	9.125

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, 2017</u>	<u>December 31, 2016</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	156,895.32	140,137.84
Other components of equity	20,937.26	17,049.51
Deduction items from Tier 1 capital fund - equity	(10,415.48)	(8,938.83)
Tier 1 capital fund - financial instruments	1,149.97	1,036.48
Total tier 1 capital fund	<u>268,606.35</u>	<u>249,324.28</u>
Tier 2 capital fund		
Long-term subordinated debt	51,810.16	52,098.48
Allowance for assets classified as pass	22,331.26	21,783.56
Total tier 2 capital fund	<u>74,141.42</u>	<u>73,882.04</u>
Total capital fund	<u><u>342,747.77</u></u>	<u><u>323,206.32</u></u>

	(Million Baht)	
	<u>The Bank's Financial Statements</u>	
	<u>December 31, 2017</u>	<u>December 31, 2016</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	147,414.43	134,179.80
Other components of equity	14,860.62	14,019.78
Deduction items from Tier 1 capital fund - equity	(5,886.76)	(4,984.63)
Total tier 1 capital fund	<u>256,427.57</u>	<u>243,254.23</u>
Tier 2 capital fund		
Long-term subordinated debt	51,810.16	52,098.48
Allowance for assets classified as pass	21,072.95	20,995.59
Total tier 2 capital fund	<u>72,883.11</u>	<u>73,094.07</u>
Total capital fund	<u><u>329,310.68</u></u>	<u><u>316,348.30</u></u>

4.3 Statutory Capital Fund (Continued)Capital Fund Ratios to Risk Weighted Assets

	<u>Financial Business Group</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Tier 1 capital fund ratios - equity	13.42	12.75	13.59	12.96
Tier 1 capital fund ratios	13.48	12.81	13.59	12.96
Total capital fund ratios	17.20	16.60	17.45	16.85

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 Within April 30, 2018

Information as at December 31, 2017

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. RETROSPECTIVE RESTATEMENT AND RECLASSIFICATION**6.1 Retrospective Restatement**

TAS 28 regarding the Investments in Associates and Joint Venture also defines an associate by reference to the concept of "significant influence". The Bank has considered that the Bank has a "significant influence" on National ITMX Co., Ltd., as defines in TAS 28. The Bank presents the investment in ITMX Co., Ltd. as an associate company. By retrospective restatement that affects the financial statement as at December 31, 2016, January 1, 2016, and for the year ended December 31, 2016 as follows:

6.1 Retrospective Restatement (Continued)

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2016</u>	<u>January 1, 2016</u>	<u>December 31, 2016</u>	<u>January 1, 2016</u>
	<u>Increase (Decrease)</u>		<u>Increase (Decrease)</u>	
Statements of Financial Position				
Assets				
Investment, net	(23.11)	(23.11)	(23.11)	(23.11)
Investment in subsidiaries and associates, net	280.80	260.18	23.11	23.11
Liabilities and Equity				
Equity				
Unappropriated	257.69	237.07	-	-

(Million Baht)

	<u>Consolidated Financial Statements</u>
	<u>The Year Ended</u>
	<u>December 31, 2016</u>
	<u>Increase (Decrease)</u>
Statements of Profit or Loss and Other Comprehensive Income	
Share of profit from investments for using equity method	20.63
Net profit	20.63
Total comprehensive income	20.63
Net profit attributable	
Equity holders of bank	20.63
Total comprehensive income attributable	
Equity holders of bank	20.63

6.2 Reclassification

The Bank reclassified items in the statements of financial position as at December 31, 2016 and January 1, 2016 in order to be consistent and comparable with the statements of financial position as at the year ended December 30, 2017. This reclassification is ineffective to net profit and Equity holders of the Bank as follows.

6.2 Reclassification (Continued)

(Million Baht)

	<u>Consolidated Financial Statements</u>			<u>The Bank's Financial Statements</u>		
	<u>Before</u>	<u>Reclassification</u>	<u>After</u>	<u>Before</u>	<u>Reclassification</u>	<u>After</u>
	<u>reclassification</u>		<u>reclassification</u>	<u>reclassification</u>		<u>reclassification</u>
Statements of Financial Position						
As at December 31, 2559						
Liabilities and Equity						
Interbank and Money Market Items, Net	203,166.31	8,005.00	211,171.31	193,711.00	8,005.00	201,716.00
Debt Issued and Borrowing	120,690.86	(8,005.00)	112,685.86	79,267.86	(8,005.00)	71,262.86
As at January 1, 2559						
Liabilities and Equity						
Interbank and Money Market Items, Net	194,242.84	6,655.00	200,897.84	177,701.20	6,655.00	184,356.20
Debt Issued and Borrowing	116,240.46	(6,655.00)	109,585.46	86,937.98	(6,655.00)	80,282.98

7. SUPPLEMENTARY INFORMATION**7.1 Supplementary Information of Cash Flows**

Significant non-cash items for the years ended December 31, 2017 and 2016 are as follows:

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Increase in revaluation surplus on available-for-sale				
investments net income tax expenses*	1,104.30	5,379.51	1,104.30	5,379.51
Increase in properties for sale from loan payment	4,426.16	12,179.94	4,426.16	12,179.94

*Included Gains (Losses) from reclassification of investments

7.2 Interbank and Money Market Items, Net (Assets)

(Million Baht)

Consolidated Financial Statements

	<u>December 31, 2017</u>			<u>December 31, 2016</u>		
	<u>Demand</u>	<u>Time</u>	<u>Total</u>	<u>Demand</u>	<u>Time</u>	<u>Total</u>
7.2.1 Domestic Items						
Bank of Thailand and						
Financial Institutions Development Fund	15,428.20	392,249.35	407,677.55	21,401.88	171,800.40	193,202.28
Commercial banks	493.02	3,197.44	3,690.46	297.79	34,841.55	35,139.34
Special purpose financial institutions	19.94	4,649.23	4,669.17	21.34	32,017.82	32,039.16
Other financial institutions	30.54	105,798.38	105,828.92	92.54	130,922.44	131,014.98
Total	15,971.70	505,894.40	521,866.10	21,813.55	369,582.21	391,395.76
<u>Add</u> Accrued interest receivables	-	292.55	292.55	-	281.06	281.06
<u>Less</u> Deferred Revenue	-	(5.89)	(5.89)	-	-	-
Allowance for doubtful accounts	(0.67)	(4,108.49)	(4,109.16)	(1.00)	(1,756.18)	(1,757.18)
Total domestic items	15,971.03	502,072.57	518,043.60	21,812.55	368,107.09	389,919.64
7.2.2 Foreign Items						
US Dollar	11,390.45	15,272.45	26,662.90	9,929.93	24,715.74	34,645.67
Japanese Yen	219.79	-	219.79	3,032.45	-	3,032.45
Euro	688.82	-	688.82	263.14	-	263.14
Other currencies	1,768.26	2,246.60	4,014.86	1,670.22	2,085.46	3,755.68
Total	14,067.32	17,519.05	31,586.37	14,895.74	26,801.20	41,696.94
<u>Add</u> Accrued interest receivables	0.31	179.68	179.99	0.23	250.94	251.17
<u>Less</u> Deferred revenue	-	(1.15)	(1.15)	-	(1.33)	(1.33)
Allowance for doubtful accounts	-	(139.28)	(139.28)	-	(228.01)	(228.01)
Total foreign items	14,067.63	17,558.30	31,625.93	14,895.97	26,822.80	41,718.77
Total domestic and foreign items	30,038.66	519,630.87	549,669.53	36,708.52	394,929.89	431,638.41

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

(Million Baht)

The Bank's Financial Statements

	<u>December 31, 2017</u>			<u>December 31, 2016</u>		
	<u>Demand</u>	<u>Time</u>	<u>Total</u>	<u>Demand</u>	<u>Time</u>	<u>Total</u>
7.2.1 Domestic Items						
Bank of Thailand and						
Financial Institutions Development Fund	15,428.20	392,249.35	407,677.55	21,401.88	171,800.40	193,202.28
Commercial banks	23.46	3,197.44	3,220.90	30.93	34,841.55	34,872.48
Special purpose financial institutions	-	4,649.23	4,649.23	-	32,017.82	32,017.82
Other financial institutions	30.54	105,798.38	105,828.92	92.54	130,922.44	131,014.98
Total	15,482.20	505,894.40	521,376.60	21,525.35	369,582.21	391,107.56
<u>Add</u> Accrued interest receivables	-	292.55	292.55	-	281.06	281.06
<u>Less</u> Deferred Revenue	-	(5.89)	(5.89)	-	-	-
Allowance for doubtful accounts	(0.67)	(4,108.49)	(4,109.16)	(1.00)	(1,756.18)	(1,757.18)
Total domestic items	15,481.53	502,072.57	517,554.10	21,524.35	368,107.09	389,631.44
7.2.2 Foreign Items						
US Dollar	11,390.45	15,272.45	26,662.90	9,929.93	24,715.74	34,645.67
Japanese Yen	219.79	-	219.79	3,032.45	-	3,032.45
Euro	688.82	-	688.82	263.14	-	263.14
Other currencies	1,768.26	2,246.60	4,014.86	1,670.22	2,085.46	3,755.68
Total	14,067.32	17,519.05	31,586.37	14,895.74	26,801.20	41,696.94
<u>Add</u> Accrued interest receivables	0.31	179.68	179.99	0.23	250.94	251.17
<u>Less</u> Deferred revenue	-	(1.15)	(1.15)	-	(1.33)	(1.33)
Allowance for doubtful accounts	-	(139.28)	(139.28)	-	(228.01)	(228.01)
Total foreign items	14,067.63	17,558.30	31,625.93	14,895.97	26,822.80	41,718.77
Total domestic and foreign items	29,549.16	519,630.87	549,180.03	36,420.32	394,929.89	431,350.21

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

(Million Baht)

Type of Risk	<u>Consolidated Financial Statements</u>					
	<u>December 31, 2017</u>			<u>December 31, 2016</u>		
	<u>Fair Value</u>		<u>Notional</u>	<u>Fair Value</u>		<u>Notional</u>
	<u>Assets</u>	<u>Liabilities</u>	<u>Amounts</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Amounts</u>
Exchange rate	24,337.94	20,486.77	1,778,097.10	22,954.07	24,803.64	1,638,535.02
Interest rate	4,913.34	4,736.26	1,162,066.51	4,088.77	3,676.02	945,244.59
Others	4,582.12	5,061.39	88,843.22	3,020.21	3,037.03	81,077.83
Total	33,833.40	30,284.42	3,029,006.83	30,063.05	31,516.69	2,664,857.44

(Million Baht)

Type of Risk	<u>The Bank's Financial Statements</u>					
	<u>December 31, 2017</u>			<u>December 31, 2016</u>		
	<u>Fair Value</u>		<u>Notional</u>	<u>Fair Value</u>		<u>Notional</u>
	<u>Assets</u>	<u>Liabilities</u>	<u>Amounts</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Amounts</u>
Exchange rate	24,337.94	20,486.77	1,778,097.10	22,954.06	24,803.64	1,638,535.02
Interest rate	4,922.45	4,736.26	1,162,958.94	4,110.56	3,676.02	947,082.35
Others	4,582.12	5,061.39	88,843.22	3,020.21	3,037.03	81,077.83
Total	33,842.51	30,284.42	3,029,899.26	30,084.83	31,516.69	2,666,695.20

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

Counterparty	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
	<u>Proportion</u>	<u>Proportion</u>	<u>Proportion</u>	<u>Proportion</u>
Financial institutions	76.16%	79.65%	76.14%	79.60%
Financial business group	0.32%	0.12%	0.35%	0.19%
Third parties	23.52%	20.23%	23.51%	20.21%
Total	100.00%	100.00%	100.00%	100.00%

7.4 Investments, Net

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
	<u>Fair Value</u>	<u>Fair Value</u>	<u>Fair Value</u>	<u>Fair Value</u>
7.4.1 Trading Securities				
Government & state enterprise securities	8,315.31	15,210.53	8,315.31	15,210.53
Private enterprise debt securities	168.60	1,892.59	171.61	1,912.12
Total	8,483.91	17,103.12	8,486.92	17,122.65
7.4.2 Available-for-Sale Securities				
Government & state enterprise securities	111,990.81	69,006.84	111,990.81	69,006.84
Private enterprise debt securities	6,383.60	3,792.08	6,383.60	3,792.08
Foreign debt securities	27,295.31	20,296.92	27,295.31	20,296.92
Domestic marketable equity securities	12,348.33	12,582.23	12,348.33	12,582.23
Foreign marketable equity securities	478.68	562.79	478.68	562.79
Total	158,496.73	106,240.86	158,496.73	106,240.86
	<u>Cost/</u>	<u>Cost/</u>	<u>Cost/</u>	<u>Cost/</u>
	<u>Amortized Cost</u>	<u>Amortized Cost</u>	<u>Amortized Cost</u>	<u>Amortized Cost</u>
7.4.3 Held-to-Maturity Debt Securities				
Government & state enterprise securities	35,510.74	86,837.65	35,305.14	86,556.74
Private enterprise debt securities	295.96	2,692.12	295.96	2,692.12
Foreign debt securities	6,066.15	13,261.61	6,066.15	13,261.61
Total	41,872.85	102,791.38	41,667.25	102,510.47
<u>Less</u> Allowance for impairment	(35.71)	(35.87)	(35.71)	(35.87)
Total	41,837.14	102,755.51	41,631.54	102,474.60
7.4.4 General Investments				
Domestic non-marketable equity securities	1,862.19	1,943.22	1,862.14	1,943.17
Foreign non-marketable equity securities	3.97	70.73	3.97	70.73
Others	0.82	0.90	0.82	0.90
Total	1,866.98	2,014.85	1,866.93	2,014.80
<u>Less</u> Allowance for impairment	(1,170.23)	(1,182.88)	(1,170.23)	(1,182.88)
Total	696.75	831.97	696.70	831.92
Total investments, net	209,514.53	226,931.46	209,311.89	226,670.03

7.4 Investments, Net (Continued)

As at December 31, 2017 and 2016, general investments which are domestic non-marketable equity securities of Baht 1,862.14 million and Baht 1,943.17 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 and included investment for government policy support by investing in Private Equity Trust for SME Growing Together of Baht 34.79 million.

7.4.5 As at December 31, 2017 and 2016 Unrealized gains or losses arising from the revaluation of available-for-sale securities are as follows:

(Million Baht)

<u>Consolidated and The Bank's Financial Statements</u>								
	<u>December 31, 2017</u>				<u>December 31, 2016</u>			
		Unrealized	Unrealized	Fair		Unrealized	Unrealized	Fair
	<u>Cost</u> ¹	<u>Gain</u> ²	<u>Loss</u> ²	<u>Value</u>	<u>Cost</u> ¹	<u>Gain</u>	<u>Loss</u>	<u>Value</u>
Available-for-Sale Securities	150,307.36	9,253.48	(1,064.11)	158,496.73	99,431.86	7,811.97	(1,002.97)	106,240.86

¹ Net of allowance for impairment

² Included Gains (Losses) from reclassification of investments

7.4.6 As at December 31, 2017 and 2016 the Bank had investments in foreign securities affected by foreign exchange rate, resulting in a decrease of the carrying amount of Baht 965.77 million and Baht 86.94 million, respectively.

7.4.7 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, 2017</u>	<u>December 31, 2016</u>
Manufacturing	-	1.00
Public utilities and services	1,474.17	1,737.48
Total	1,474.17	1,738.48

7.4.8 As at December 31, 2017, 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.

7.5 Investments in Subsidiaries and Associates, Net

7.5.1 The Bank's Financial Statements

(Million Baht)

December 31, 2017					
			Percentages of	Investments	
<u>Name of Company</u>	<u>Type of Business</u>	<u>Type of Shares</u>	<u>Shareholdings</u>	<u>(Cost Method)</u>	<u>Dividend</u>
Subsidiaries					
KTB Law Co., Ltd.	Legal Services	Ordinary	100.00	30.00	19.00
KTB General Services and Security Co., Ltd.	General Services	Ordinary	100.00	140.00	203.00
Krung Thai Asset Management Pcl.	Securities Business	Ordinary	100.00	210.90	232.00
KTB Computer Services Co., Ltd.	IT Services	Ordinary	100.00	1,300.00	27.30
KTB Leasing Co., Ltd.*	Hire Purchase	Ordinary	100.00	1,000.00	-
KTB Advisory Co., Ltd.	Financial Counseling & Advisory Services	Ordinary	100.00	40.00	-
Krungthai Card Pcl.***	Credit Card Business	Ordinary	49.45	1,994.60	510.00
Total				4,715.50	991.30
<u>Less</u> Allowance for impairment****				(802.46)	-
Total				3,913.04	991.30
Associates					
Krungthai-AXA Life Insurance Pcl.	Life Insurance	Ordinary	50.00	4,071.77	1,825.00
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	39.05
KT Zmico Securities Co., Ltd.	Securities Business	Ordinary	50.00	1,068.89	-
National ITMX Co., Ltd.	Service	Ordinary	21.13	38.05	6.19
Total				6,784.91	2,028.64
Investments in subsidiaries and associates, net				10,697.95	3,019.94

7.5 Investments in Subsidiaries and Associates, Net (Continued)**7.5.1 The Bank's Financial Statements (Continued)**

(Million Baht)

December 31, 2016					
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	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
National ITMX Co., Ltd.	Service	Ordinary	20.06	23.11	-
Total				6,769.97	2,206.23
Investments in subsidiaries and associates, net				10,687.70	3,079.41

* Under consideration of business restructuring plan.

** Registered as the business dissolution on December 18, 2014 and completed registration of liquidation on September 13, 2017.

*** The Bank has entity control.

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

7.5 Investments in Subsidiaries and Associates, Net (Continued)**7.5.2 The Consolidated Financial Statements**

(Million Baht)

			<u>December 31, 2017</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	13,906.41
Krungthai Panich Insurance Pcl.	Non-Life Insurance	Ordinary	45.00	971.30	2,674.67
Krung Thai IBJ Leasing Co., Ltd.	Hire Purchase	Ordinary	49.00	87.38	617.15
KT Zmico Securities Co., Ltd.	Securities Business	Ordinary	50.00	1,068.89	1,220.55
National ITMX Co., Ltd.	Service	Ordinary	21.13	38.05	306.44
Total investments in associates, net				2,759.19	18,725.22
(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
National ITMX Co., Ltd.	Service	Ordinary	20.06	23.11	280.80
Total investments in associates, net				2,744.25	15,591.45

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.

7.5.3 Financial Positions and Operations of Associates

(Million Baht)

<u>Consolidated Financial Statements</u>						
<u>December 31, 2017</u>			<u>December 31, 2016</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>
Krungthai-AXA Life Insurance Pcl.	244,733.14	216,920.32	27,812.82	201,598.62	179,811.33	21,787.29
Krungthai Panich Insurance Pcl.	9,182.15	3,238.44	5,943.71	8,961.00	3,243.16	5,717.84
Krung Thai IBJ Leasing Co., Ltd.	9,760.35	8,500.86	1,259.49	9,008.12	7,836.85	1,171.27
KT Zmico Securities Co., Ltd.	8,908.78	6,467.68	2,441.10	10,707.75	8,272.51	2,435.24
National ITMX Co., Ltd.	1,602.84	153.95	1,448.89	1,627.84	228.01	1,399.83
	274,187.26	235,281.25	38,906.01	231,903.33	199,391.86	32,511.47

7.5 Investments in Subsidiaries and Associates, Net (Continued)**7.5.3 Financial Positions and Operations of Associates (Continued)**

(Million Baht)

Name of Company	Consolidated Financial Statements			
	December 31, 2017		December 31, 2016	
	"Unaudited"		"Audited"	
	Total Income	Net Profit (Loss)	Total Income	Net Profit (Loss)
Krungthai-AXA Life Insurance Pcl.	71,905.21	3,814.88	62,570.44	5,114.65
Krungthai Panich Insurance Pcl.	3,038.86	618.51	3,075.40	566.14
Krung Thai IBJ Leasing Co., Ltd.	851.22	167.92	728.84	159.49
KT Zmico Securities Co., Ltd.	1,492.62	15.14	2,045.97	377.79
National ITMX Co., Ltd.	516.93	79.90	512.69	102.83
	<u>77,804.84</u>	<u>4,696.35</u>	<u>68,933.34</u>	<u>6,320.90</u>

7.6 Loans to Customers and Accrued Interest Receivables, Net**7.6.1 Classified by Type of Loans**

(Million Baht)

	Consolidated Financial Statements		The Bank's Financial Statements	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Overdrafts	168,278.16	170,948.74	168,278.16	170,948.74
Loans	1,295,457.88	1,294,499.04	1,237,594.66	1,258,147.90
Bills	450,791.70	398,860.88	458,391.70	406,420.88
Hire purchase receivables	18,514.79	33,065.85	1.74	4.54
Financial lease receivables	4,352.46	7,742.24	-	-
Others	2,532.83	2,705.20	1,217.16	1,721.16
<u>Less</u> Deferred revenue	<u>(1,846.30)</u>	<u>(3,733.25)</u>	<u>(87.09)</u>	<u>(122.92)</u>
Total loans to customers net of deferred revenue	1,938,081.52	1,904,088.70	1,865,396.33	1,837,120.30
<u>Add</u> Accrued interest receivables	<u>5,211.74</u>	<u>5,270.68</u>	<u>4,691.08</u>	<u>4,774.56</u>
Total loans to customers net of deferred revenue, plus accrued interest receivables	1,943,293.26	1,909,359.38	1,870,087.41	1,841,894.86
<u>Less</u> Allowance for doubtful accounts				
1. Minimum reserve under BoT's regulations				
Individual approach	(85,134.73)	(84,302.74)	(82,907.08)	(82,639.69)
Collective approach	(3,803.50)	(4,010.43)	-	-
2. Excess allowance	(36,425.50)	(22,406.45)	(33,819.27)	(20,220.20)
<u>Less</u> Revaluation allowance for debt restructuring	<u>(17.26)</u>	<u>(61.62)</u>	<u>(17.26)</u>	<u>(61.62)</u>
Total loans to customers, net	<u>1,817,912.27</u>	<u>1,798,578.14</u>	<u>1,753,343.80</u>	<u>1,738,973.35</u>

As at December 31, 2017, the Bank has loans to accommodate the government policy program such as SMEs soft loans for working capital, SMEs soft loans for modifying the machine and optimizing production, Financial for supporting to people affected from the flood by the BoT's measure, Financial for supporting to entrepreneurs in 3 Southern border provinces, The revolving financial project for energy conservation by financial institution phase 6 and Loan project for environmental totaling to Baht 38,462.58 millions.

7.6 Loans to Customers and Accrued Interest Receivables, Net (Continued)**7.6.1 Classified by Type of Loans (Continued)**

As at December 31, 2017 and 2016, the Bank's other loans of Baht 1,217.16 million and Baht 1,721.16 million included debts resulting from the Bank's liabilities under acceptances or guarantees of Baht 1,163.72 million and Baht 1,646.99 million, respectively.

7.6.2 Classified by Currency and Customer's Residence

(Million Baht)

<u>Consolidated Financial Statements</u>						
	<u>December 31, 2017</u>			<u>December 31, 2016</u>		
	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
Thai Baht	1,841,799.36	1.37	1,841,800.73	1,792,770.33	5.80	1,792,776.13
US Dollar	65,792.54	27,554.29	93,346.83	69,582.56	31,510.69	101,093.25
Other currencies	2,801.53	132.43	2,933.96	10,147.36	71.96	10,219.32
Total	1,910,393.43	27,688.09	1,938,081.52	1,872,500.25	31,588.45	1,904,088.70

<u>The Bank's Financial Statements</u>						
	<u>December 31, 2017</u>			<u>December 31, 2016</u>		
	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
Thai Baht	1,769,114.17	1.37	1,769,115.54	1,725,801.93	5.80	1,725,807.73
US Dollar	65,792.54	27,554.29	93,346.83	69,582.56	31,510.69	101,093.25
Other currencies	2,801.53	132.43	2,933.96	10,147.36	71.96	10,219.32
Total	1,837,708.24	27,688.09	1,865,396.33	1,805,531.85	31,588.45	1,837,120.30

7.6.3 Classified by Business Types and Loan Classification

(Million Baht)

<u>Consolidated Financial Statements</u>						
	<u>December 31, 2017</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	26,110.94	1,780.74	246.10	10,275.71	782.07	39,195.56
Manufacturing and commercial	474,662.38	34,147.33	5,018.44	13,058.77	24,680.61	551,567.53
Real estate and construction	88,839.74	5,472.79	406.89	2,881.74	7,996.12	105,597.28
Public utilities and services	293,552.42	16,019.45	663.85	4,383.22	5,730.66	320,349.60
Housing loans	327,161.82	6,143.16	2,845.77	3,205.40	10,566.70	349,922.85
Others	555,641.01	5,529.32	3,060.44	2,085.12	5,132.81	571,448.70
Total	1,765,968.31	69,092.79	12,241.49	35,889.96	54,888.97	1,938,081.52

7.6 Loans to Customers and Accrued Interest Receivables, Net (Continued)**7.6.3 Classified by Business Types and Loan Classification (Continued)**

(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

(Million Baht)

<u>The Bank's Financial Statements</u>						
<u>December 31, 2017</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	25,778.58	1,763.73	213.23	10,226.42	755.76	38,737.72
Manufacturing and commercial	470,747.10	33,986.11	4,925.07	12,866.04	24,335.96	546,860.28
Real estate and construction	88,548.16	5,400.04	355.13	2,513.17	7,852.42	104,668.92
Public utilities and services	290,011.94	15,765.12	563.18	4,249.00	5,399.54	315,988.78
Housing loans	327,161.82	6,143.16	2,845.77	3,205.41	10,566.70	349,922.86
Others	498,070.34	3,382.84	2,746.93	1,847.41	3,170.25	509,217.77
Total	1,700,317.94	66,441.00	11,649.31	34,907.45	52,080.63	1,865,396.33

(Million Baht)

<u>The Bank's 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	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

7.6 Loans to Customers and Accrued Interest Receivables, Net (Continued)**7.6.4 Classified by Loan Classification**

(Million Baht)

<u>Consolidated Financial Statements</u>				
<u>December 31, 2017</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	1,770,815.82	884,654.34	1	11,067.33
Special mention	69,361.72	28,189.24	2	17,305.19
Substandard	12,242.99	7,265.67	100	7,289.59
Doubtful	35,890.08	23,198.05	100	25,029.24
Doubtful of loss	54,982.65	19,924.29	100	28,246.88
2. Excess allowance				36,425.50
Total	1,943,293.26	963,231.59		125,363.73

(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>The Bank's Financial Statements</u>				
<u>December 31, 2017</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	1,704,657.61	834,514.36	1	8,948.50
Special mention	66,699.01	26,762.37	2	16,803.74
Substandard	11,649.33	6,979.62	100	7,003.55
Doubtful	34,907.56	22,820.07	100	24,651.26
Doubtful of loss	52,173.90	17,177.45	100	25,500.03
2. Excess allowance				33,819.27
Total	1,870,087.41	908,253.87		116,726.35

7.6 Loans to Customers and Accrued Interest Receivables, Net (Continued)**7.6.4 Classified by Loan Classification (Continued)**

(Million Baht)

	<u>The Bank's Financial Statements</u>			
	<u>December 31, 2016</u>			
	Net Amount	%		
	Loans and Accrued Interest Receivables	Used for Set aside the Allowance for Doubtful Accounts ¹	Used for Set aside the Allowance for Doubtful Accounts	Allowance for Doubtful Accounts
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

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.

7.6.5 Non-Performing Loans (NPLs)

As at December 31, 2017 and 2016, 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, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
NPLs before deducting allowance for doubtful accounts	103,020.42	91,128.23	98,637.39	86,785.96
NPLs percentage of total loans	4.19	3.97	4.14	3.89
NPLs after deducting allowance for doubtful accounts	42,506.32	40,757.88	41,532.26	39,591.50
NPLs percentage of net loans	1.77	1.81	1.78	1.81

For the years ended December 31, 2017 and 2016, impaired loans have been written off both principal and accrued interest receivables of Baht 23,738.68 million and Baht 1,508.74 million, respectively.

7.6 Loans to Customers and Accrued Interest Receivables, Net (Continued)

7.6.6 Non-Accrual Loans based on the Accrual Basis

As at December 31, 2017 and 2016, 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, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Non-accrual loans	103,020.42	91,128.23	98,637.39	86,785.96
Percentage of total loans	4.19	3.97	4.14	3.89

7.6.7 Loans to Potential Delisted Companies

As at December 31, 2017 and 2016, the Bank and its subsidiaries has loans and accrued interest receivables to 5 potential delisted companies of Baht 10,331.11 million, accrued interest receivables of Baht 0.12 million, totaling to Baht 10,331.23 million which an allowance for doubtful accounts of Baht 7,640.29 million. Moreover, there are 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 after an allowance for doubtful accounts of Baht 7,643.52 million, respectively.

7.6.8 Troubled Debt Restructuring (TDR)

For the year ended December 31, 2017, the original loan value of the 9,424 troubled debt restructuring cases are Baht 63,019.02 million. The repayment for related interest and principal are Baht 11,291.61, whereas extended lending increased by Baht 49,657.77 million and Bad debts from troubled debt restructuring of Baht 2.88 million.

TDR for the year ended December 31, 2017 is set out as follows:

	(Million Baht)			
	<u>The Bank's Financial Statements</u>			
	<u>No. of</u>	<u>Outstanding</u>	<u>Type of</u>	
<u>Troubled Debt Restructuring Methods</u>	<u>Cases</u>	<u>Debt before</u>	<u>Transferred</u>	<u>Fair Value</u>
Transfers of assets	28	1,161.40	Land & Premises	1,161.40
Change of repayment conditions	401	26,542.34		
Debt restructuring in various forms	8,995	35,315.28		
	<u>9,424</u>	<u>63,019.02</u>		

As at December 31, 2017, the Bank has outstanding balance of loans to restructured debts for 36,555 cases of Baht 162,034.82 million, of which 13,097 cases of Baht 8,751.45 million, has been monitored under the new contractual agreements.

The consolidated financial statements for the year ended December 31, 2017, the Bank restructured debts of 9,492 cases which the debts before restructuring were Baht 65,605.11 million.

For year ended December 31, 2016, the Bank entered debts restructuring agreement of 11,662 cases, which the debts before restructuring were Baht 59,910.77 million, received from the principle repayments of Baht 27,350.82 million, additional lending of Baht 42,374.69 million and bad debts from debt restructuring of Baht 23.66 million.

7.6 Loans to Customers and Accrued Interest Receivables, Net (Continued)**7.6.8 Troubled Debt Restructuring (TDR) (Continued)**

TDR for the year ended December 31, 2016 was set out as follows:

(Million Baht)

<u>Troubled Debt Restructuring Methods</u>	<u>The Bank's Financial Statements</u>			
	Outstanding		Type of	
	No. of	Debt before	Transferred	
	<u>Cases</u>	<u>Restructuring</u>	<u>Assets</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 year ended December 31, 2016, the Bank restructured debts of 11,996 cases which the debts before restructuring were Baht 61,406.17 million.

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

(Million Baht)

	<u>Consolidated Financial Statements</u>							
	<u>December 31, 2017</u>				<u>December 31, 2016</u>			
	<u>Amount Due of the Contract</u>				<u>Amount Due of the Contract</u>			
	Not Over	Over	Over		Not Over	Over	Over	
	<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	12,762.83	10,069.96	34.46	22,867.25	19,392.43	20,973.33	442.33	40,808.09
<u>Less</u> Unearned financial income				(1,759.45)				(3,611.89)
Present value of minimum leases payment				21,107.80				37,196.20
<u>Less</u> Allowance for doubtful accounts				(1,841.17)				(1,863.93)
Financial lease receivables, net				19,266.63				35,332.27

7.6 Loans to Customers and Accrued Interest Receivables, Net (Continued)**7.6.9 Financial Lease Receivables (Including Hire Purchase Receivables and Financial Lease Receivables) (Continued)**

(Million Baht)

<u>The Bank's Financial Statements</u>								
	<u>December 31, 2017</u>				<u>December 31, 2016</u>			
	<u>Amount Due of the Contract</u>				<u>Amount Due of the Contract</u>			
	Not Over	Over	Over		Not Over	Over	Over	
	<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	1.74	-	-	1.74	4.54	-	-	4.54
<u>Less</u> Unearned financial income				(0.24)				(0.55)
Present value of minimum leases payment				1.50				3.99
<u>Less</u> Allowance for doubtful accounts				(1.46)				(2.98)
Financial lease receivables, net				0.04				1.01

7.7 Allowance for Doubtful Accounts

(Million Baht)

<u>Consolidated Financial Statements</u>							
<u>December 31, 2017</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	16,062.69	21,790.10	6,784.86	9,059.46	34,616.06	22,406.45	110,719.62
Doubtful accounts	(2,603.05)	(3,601.68)	5,359.53	16,165.46	15,362.30	14,019.05	44,701.61
Allowance for doubtful accounts							
transferred from allowance for							
debt restructuring revaluation	-	44.36	-	-	-	-	44.36
Bad debt recovered	-	-	-	-	2,493.41	-	2,493.41
Bad debt written-off	(191.72)	(864.93)	(4,854.80)	(195.68)	(24,182.01)	-	(30,289.14)
Others	(2,200.59)	(62.66)	-	-	(42.88)	-	(2,306.13)
Ending balances	11,067.33	17,305.19	7,289.59	25,029.24	28,246.88	36,425.50	125,363.73

7.7 Allowance for Doubtful Accounts (Continued)

(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

(Million Baht)

<u>The Bank's Financial Statements</u>							
<u>December 31, 2017</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	14,126.11	21,232.11	6,208.25	8,723.54	32,349.68	20,220.20	102,859.89
Doubtful accounts	(2,977.02)	(4,410.07)	795.30	15,927.72	14,565.00	13,599.07	37,500.00
Allowance for doubtful accounts							
transferred from allowance for							
debt restructuring revaluation	-	44.36	-	-	-	-	44.36
Bad debt recovered	-	-	-	-	2,366.91	-	2,366.91
Bad debt written-off	-	-	-	-	(23,738.68)	-	(23,738.68)
Others	(2,200.59)	(62.66)	-	-	(42.88)	-	(2,306.13)
Ending balances	8,948.50	16,803.74	7,003.55	24,651.26	25,500.03	33,819.27	116,726.35

7.7 Allowance for Doubtful Accounts (Continued)

(Million Baht)

<u>The Bank's Financial Statements</u>							
<u>December 31, 2016</u>							
						Allowance in Excess of	
	Normal	Special Mention	Substandard	Doubtful	Doubtful of Loss	BoT's Regulations	Total
Beginning balances	13,190.30	10,240.94	8,413.17	9,332.64	14,220.78	21,823.23	77,221.06
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

For the year ended December 31, 2017, the Bank has set aside allowance for doubtful accounts of Baht 37,500 million, including with the case that the Bank decided to set aside allowance for doubtful accounts in full amount of loans to the major group of debtor. The core business of the debtor group is agriculture and mining.

For the year ended December 31, 2016, the Bank has set aside allowance for doubtful accounts of Baht 27,000 million.

7.8 Revaluation Allowance for Debt Restructuring

(Million Baht)

<u>Consolidated and the Bank's Financial Statements</u>		
	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Beginning balances	61.62	132.63
Transfer to allowance for doubtful accounts	(44.36)	(71.01)
Ending balances	17.26	61.62

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.

7.9 Properties for Sale, Net

(Million Baht)

<u>Consolidated Financial Statements</u>								
<u>Type of Properties for Sale</u>	<u>December 31, 2017</u>				<u>December 31, 2016</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	34,387.27	4,498.03	6,882.90	32,002.40	29,363.28	11,677.83	6,653.84	34,387.27
Appraised by internal appraisers	2,399.19	1,896.99	105.49	4,190.69	846.42	1,628.89	76.12	2,399.19
Movable properties	276.85	250.05	290.46	236.44	318.75	575.10	617.00	276.85
Total	37,063.31	6,645.07	7,278.85	36,429.53	30,528.45	13,881.82	7,346.96	37,063.31
Others (closed branches)	42.31	26.31	-	68.62	46.19	-	3.88	42.31
Properties for sale in transit	454.06	826.01	454.06	826.01	422.08	454.06	422.08	454.06
Total	37,559.68	7,497.39	7,732.91	37,324.16	30,996.72	14,335.88	7,772.92	37,559.68
<u>Less</u> Allowance for impairment	(1,816.05)	-	(1.83)	(1,814.22)	(988.58)	(827.47)	-	(1,816.05)
Properties for sale, net	35,743.63	7,497.39	7,731.08	35,509.94	30,008.14	13,508.41	7,772.92	35,743.63

(Million Baht)

<u>The Bank's Financial Statements</u>								
<u>Type of Properties for Sale</u>	<u>December 31, 2017</u>				<u>December 31, 2016</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	34,387.27	4,498.03	6,882.90	32,002.40	29,363.28	11,677.83	6,653.84	34,387.27
Appraised by internal appraisers	2,399.19	1,896.99	105.49	4,190.69	846.42	1,628.89	76.12	2,399.19
Movable properties	110.60	-	-	110.60	110.60	-	-	110.60
Total	36,897.06	6,395.02	6,988.39	36,303.69	30,320.30	13,306.72	6,729.96	36,897.06
Others (closed branches)	42.31	26.31	-	68.62	46.19	-	3.88	42.31
Properties for sale in transit	454.06	826.01	454.06	826.01	422.08	454.06	422.08	454.06
Total	37,393.43	7,247.34	7,442.45	37,198.32	30,788.57	13,760.78	7,155.92	37,393.43
<u>Less</u> Allowance for impairment	(1,724.88)	-	(12.90)	(1,711.98)	(878.71)	(846.17)	-	(1,724.88)
Properties for sale, net	35,668.55	7,247.34	7,429.55	35,486.34	29,909.86	12,914.61	7,155.92	35,668.55

As at December 31, 2017 and 2016, the Bank's allowance for impairment of properties for sale has decreased by Baht 12.90 million and increased by Baht 846.17 million, respectively, from reversal or additional of loss on impairment.

For the years ended December 31, 2017 and 2016, the Bank generated gains on sale of properties for sale of Baht 896.18 million and Baht 1,023.03 million, respectively (before deduction of selling expenses of Baht 448.52 million and Baht 539.36 million, respectively).

7.10 Premises and Equipment, Net

Premises and equipment As at December 31, 2017 and 2016 are as follows:

(Million Baht)

Consolidated Financial Statements

December 31, 2017

	<u>Cost</u>				<u>Accumulated Depreciation</u>				Allowance	Premises and
	Beginning	Additions /	Disposals /	Ending	Beginning			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	9,237.34	-	24.24	9,213.10	-	-	-	-	919.40	8,293.70
Revaluation Surplus *	10,459.17	-	12.93	10,446.24	-	-	-	-	-	10,446.24
Premises	11,918.86	101.04	110.01	11,909.89	8,205.50	322.51	107.04	8,420.97	-	3,488.92
Equipment	22,037.26	996.62	1,136.22	21,897.66	17,711.98	1,637.46	918.55	18,430.89	-	3,466.77
Others	946.50	168.58	226.26	888.82	449.59	120.83	5.38	565.04	-	323.78
Total	54,599.13	1,266.24	1,509.66	54,355.71	26,367.07	2,080.80	1,030.97	27,416.90	919.40	26,019.41

(Million Baht)

Consolidated Financial Statements

December 31, 2016

	<u>Cost</u>				<u>Accumulated Depreciation</u>			Allowance	Premises and	
	Beginning	Additions /	Disposals /	Ending	Beginning		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	9,179.93	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

7.10 Premises and Equipment, Net (Continued)

(Million Baht)

The Bank's Financial StatementsDecember 31, 2017

	<u>Cost</u>				<u>Accumulated Depreciation</u>				Allowance	Premises and
	Beginning	Additions /	Disposals /	Ending	Beginning			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	9,454.28	-	24.24	9,430.04	-	-	-	-	919.40	8,510.64
Revaluation Surplus *	10,459.17	-	12.93	10,446.24	-	-	-	-	-	10,446.24
Premises	10,884.67	88.50	16.60	10,956.57	7,432.11	279.88	13.78	7,698.21	-	3,258.36
Equipment	12,752.72	481.22	328.42	12,905.52	10,361.57	837.44	198.69	11,000.32	-	1,905.20
Others	850.84	59.80	52.23	858.41	449.59	120.83	5.38	565.04	-	293.37
Total	44,401.68	629.52	434.42	44,596.78	18,243.27	1,238.15	217.85	19,263.57	919.40	24,413.81

(Million Baht)

The Bank's Financial StatementsDecember 31, 2016

	<u>Cost</u>				<u>Accumulated Depreciation</u>				Allowance	Premises and
	Beginning	Additions /	Disposals /	Ending	Beginning			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.

7.10 Premises and Equipment, Net (Continued)

As at December 31, 2017 and 2016, the allowance for impairment is as follows:

	(Million Baht)	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Beginning balances	919.40	1,622.89
<u>Add</u> Allowance for impairment	-	(703.49)
Ending balances	<u>919.40</u>	<u>919.40</u>

7.11 Other Intangible Assets, Net

(Million Baht)

Consolidated Financial StatementsDecember 31, 2017

	<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	6,350.22	551.96	781.97	6,120.21	3,899.79	599.84	781.97	3,717.66	-	2,402.55
Other licenses	9.59	1.02	-	10.61	8.84	0.60	-	9.44	-	1.17
Development cost	4,215.42	8.71	-	4,224.13	2,566.41	272.26	-	2,838.67	-	1,385.46
Partial payment of										
intangible assets	384.16	143.85	137.25	390.76	-	-	-	-	273.45	117.31
Total	10,959.39	705.54	919.22	10,745.71	6,475.04	872.70	781.97	6,565.77	273.45	3,906.49

(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

7.11 Other Intangible Assets, Net (Continued)

(Million Baht)

The Bank's Financial Statements									
December 31, 2017									
	Cost			Accumulated Amortization				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	803.94	163.06	-	967.00	459.20	86.01	-	545.21	421.79
Other licenses	5.12	-	-	5.12	4.95	0.02	-	4.97	0.15
Development cost	738.10	-	-	738.10	275.03	61.08	-	336.11	401.99
Partial payment of									
intangible assets	62.74	8.69	-	71.43	-	-	-	-	71.43
Total	1,609.90	171.75	-	1,781.65	739.18	147.11	-	886.29	895.36

(Million Baht)

The Bank's Financial Statements									
December 31, 2016									
	Cost			Accumulated Amortization				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

7.12 Deferred Tax Assets and Deferred Tax Liabilities

Deferred tax assets and deferred tax liabilities As at December 31, 2017 and 2016 are as follows:

(Million Baht)

	Consolidated Financial Statements		The Bank's Financial Statements	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Deferred Tax Assets	4,592.77	4,496.46	2,130.35	2,321.67
Deferred Tax Liabilities	-	-	-	-
Net	4,592.77	4,496.46	2,130.35	2,321.67

7.12 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				
	<u>January 1, 2017</u>	<u>Profit / Loss</u>	<u>Income</u>	<u>December 31, 2017</u>
Deferred Tax Assets				
Investments	463.44	(4.97)	12.23	470.70
Investments in subsidiaries and associates	159.75	0.74	-	160.49
Loans to customers and accrued interest receivables, net	3,628.12	246.39	-	3,874.51
Properties for sale	363.21	(0.31)	-	362.90
Premises and equipment	205.75	7.01	-	212.76
Provisions	2,843.72	57.77	229.89	3,131.38
Guarantee deposit under financial lease	51.03	(19.09)	-	31.94
Others	1,263.79	(212.33)	-	1,051.46
Total	8,978.81	75.21	242.12	9,296.14
Deferred Tax Liabilities				
Investments	1,565.19	14.37	288.30	1,867.86
Premises and equipment	2,366.62	(79.03)	(2.58)	2,285.01
Loans to customers and accrued interest receivables, net	550.54	(0.21)	-	550.33
Others	-	0.17	-	0.17
Total	4,482.35	(64.70)	285.72	4,703.37
Net	4,496.46	139.91	(43.60)	4,592.77

(Million Baht)

<u>Consolidated 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	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

7.12 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, 2017</u>	<u>Profit / Loss</u>	<u>Income</u>	<u>December 31, 2017</u>
Deferred Tax Assets				
Investments	463.44	(4.97)	12.23	470.70
Investments in subsidiaries and associates	159.75	0.74	-	160.49
Loans to customers and accrued interest receivables, net	1,742.37	109.03	-	1,851.40
Properties for sale	344.97	(2.58)	-	342.39
Premises and equipment	183.88	-	-	183.88
Provisions	2,167.67	23.68	224.90	2,416.25
Others	1,191.40	(209.42)	-	981.98
Total	6,253.48	(83.52)	237.13	6,407.09
Deferred Tax Liabilities				
Investments	1,565.19	14.37	288.30	1,867.86
Premises and equipment	2,366.62	44.84	(2.58)	2,408.88
Total	3,931.81	59.21	285.72	4,276.74
Net	2,321.67	(142.73)	(48.59)	2,130.35

(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

7.13 Other Assets, Net

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Prepaid expenses	1,207.20	995.99	996.89	801.04
Account receivables - Revenue Department	1,681.74	1,557.49	3.41	31.44
Leaseholds	79.78	97.05	79.78	97.05
Suspense account debtors	3,354.47	3,003.57	3,345.30	2,995.84
Collateral under Credit Support Annex Contract and Cash Margin Debtors	3,918.35	5,763.60	3,918.35	5,763.60
Interbranch transactions	-	2,632.19	-	2,632.19
Settlement account between the Bank and other financial institutions	1,576.82	520.31	1,576.82	520.31
Sundry assets	9,480.09	6,533.02	9,618.75	6,464.78
Total	21,298.45	21,103.22	19,539.30	19,306.25
<u>Less</u> Allowance for impairment	(2,495.72)	(2,394.04)	(2,456.31)	(2,361.14)
Total other assets, net	18,802.73	18,709.18	17,082.99	16,945.11

As at December 31, 2017 and 2016, 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 7.37.1).

7.14 Deposits**7.14.1 Classified by Type of Deposits**

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Demand deposits	95,462.41	92,573.87	96,317.51	92,938.84
Savings deposits	1,387,164.71	1,221,291.66	1,388,420.83	1,223,083.61
Time deposits	588,247.56	658,538.00	588,855.67	659,135.22
Total	2,070,874.68	1,972,403.53	2,073,594.01	1,975,157.67

7.14.2 Classified by Currency and Residence of Depositors

(Million Baht)

	<u>Consolidated Financial Statements</u>					
	<u>December 31, 2017</u>			<u>December 31, 2016</u>		
	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
Thai Baht	2,011,185.44	12,909.23	2,024,094.67	1,915,115.62	12,614.53	1,927,730.15
US Dollar	34,310.68	7,282.32	41,593.00	29,266.68	8,508.15	37,774.83
Other currencies	2,401.03	2,785.98	5,187.01	4,102.08	2,796.47	6,898.55
Total	2,047,897.15	22,977.53	2,070,874.68	1,948,484.38	23,919.15	1,972,403.53

7.14 Deposits (Continued)**7.14.2 Classified by Currency and Residence of Depositors (Continued)**

(Million Baht)

	The Bank's Financial Statements					
	December 31, 2017			December 31, 2016		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Thai Baht	2,013,904.77	12,909.23	2,026,814.00	1,917,869.76	12,614.53	1,930,484.29
US Dollar	34,310.68	7,282.32	41,593.00	29,266.68	8,508.15	37,774.83
Other currencies	2,401.03	2,785.98	5,187.01	4,102.08	2,796.47	6,898.55
Total	2,050,616.48	22,977.53	2,073,594.01	1,951,238.52	23,919.15	1,975,157.67

7.15 Interbank and Money Market Items (Liabilities)

(Million Baht)

	Consolidated Financial Statements					
	December 31, 2017			December 31, 2016		
	Demand	Time	Total	Demand	Time	Total
7.15.1 Domestic Items						
Bank of Thailand and Financial Institutions						
Development Fund	983.11	31,679.38	32,662.49	673.39	45,890.96	46,564.35
Commercial banks	331.51	106,564.88	106,896.39	239.67	80,448.42	80,688.09
Special purpose financial institutions	612.06	18,015.92	18,627.98	454.40	18,445.28	18,899.68
Other financial institutions	26,691.17	34,322.74	61,013.91	24,597.01	37,016.47	61,613.48
Total domestic items	28,617.85	190,582.92	219,200.77	25,964.47	181,801.13	207,765.60
7.15.2 Foreign Items						
US Dollar	398.25	8,791.16	9,189.41	932.85	2,189.25	3,122.10
Euro	143.98	-	143.98	154.81	-	154.81
Other currencies	157.23	-	157.23	128.80	-	128.80
Total foreign items	699.46	8,791.16	9,490.62	1,216.46	2,189.25	3,405.71
Total domestic and foreign items	29,317.31	199,374.08	228,691.39	27,180.93	183,990.38	211,171.31

(Million Baht)

	The Bank's Financial Statements					
	December 31, 2017			December 31, 2016		
	Demand	Time	Total	Demand	Time	Total
7.15.1 Domestic Items						
Bank of Thailand and Financial Institutions						
Development Fund	983.11	31,679.38	32,662.49	673.39	45,890.96	46,564.35
Commercial banks	331.51	97,900.10	98,231.61	239.67	76,000.09	76,239.76
Special purpose financial institutions	612.06	17,015.92	17,627.98	454.40	18,095.28	18,549.68
Other financial institutions	27,131.24	33,922.81	61,054.05	24,786.87	32,169.63	56,956.50
Total domestic items	29,057.92	180,518.21	209,576.13	26,154.33	172,155.96	198,310.29
7.15.2 Foreign Items						
US Dollar	398.25	8,791.16	9,189.41	932.85	2,189.25	3,122.10
Euro	143.98	-	143.98	154.81	-	154.81
Other currencies	157.23	-	157.23	128.80	-	128.80
Total foreign items	699.46	8,791.16	9,490.62	1,216.46	2,189.25	3,405.71
Total domestic and foreign items	29,757.38	189,309.37	219,066.75	27,370.79	174,345.21	201,716.00

7.16 Debt Issued and Borrowings

Classified by type of debts and sources of fund as follows:

(Million Baht)

Consolidated Financial Statements									
				December 31, 2017			December 31, 2016		
	Currency	Interest Rate (%)	Maturity Date	Domestic	Foreign	Total	Domestic	Foreign	Total
Long term bonds									
2013	Baht	5.00	2018	800.00	-	800.00	5,800.00	-	5,800.00
2013 (EMTN Programme)	USD	2.25	2018	-	16,335.70	16,335.70	-	17,902.78	17,902.78
2014	Baht	3.80-4.30	2018	4,300.00	-	4,300.00	8,230.00	-	8,230.00
2015	Baht	2.54-4.00	2018-2025	8,755.00	-	8,755.00	9,393.00	-	9,393.00
2016	Baht	1.88-4.00	2018-2026	18,000.00	-	18,000.00	18,000.00	-	18,000.00
2017	Baht	2.46-3.80	2022-2027	11,500.00	-	11,500.00	-	-	-
KTB subordinated debentures									
No.1/2012	Baht	4.50	2022	-	-	-	5,155.00	-	5,155.00
No.2/2012	Baht	4.60	2022	-	-	-	15,133.32	-	15,133.32
No.1/2014 (EMTN Programme)	USD	5.20	2024	-	22,876.63	22,876.63	-	25,081.46	25,081.46
No.1/2015	MYR	5.10	2025	-	8,058.40	8,058.40	-	7,989.60	7,989.60
No.1/2017	Baht	3.40	2027	20,000.00	-	20,000.00	-	-	-
Bill of exchange (B/E)									
Short term*	Baht	-	2012	0.70	-	0.70	0.70	-	0.70
Total				63,355.70	47,270.73	110,626.43	61,712.02	50,973.84	112,685.86

(Million Baht)

The Bank's Financial Statements									
				December 31, 2017			December 31, 2016		
	Currency	Interest Rate (%)	Maturity Date	Domestic	Foreign	Total	Domestic	Foreign	Total
Long term bonds									
2013 (EMTN Programme)	USD	2.25	2018	-	16,335.70	16,335.70	-	17,902.78	17,902.78
KTB subordinated debentures									
No.1/2012	Baht	4.50	2022	-	-	-	5,155.00	-	5,155.00
No.2/2012	Baht	4.60	2022	-	-	-	15,133.32	-	15,133.32
No.1/2014 (EMTN Programme)	USD	5.20	2024	-	22,876.63	22,876.63	-	25,081.46	25,081.46
No.1/2015	MYR	5.10	2025	-	8,058.40	8,058.40	-	7,989.60	7,989.60
No.1/2017	Baht	3.40	2027	20,000.00	-	20,000.00	-	-	-
Bill of exchange (B/E)									
Short term*	Baht	-	2012	0.70	-	0.70	0.70	-	0.70
Total				20,000.70	47,270.73	67,271.43	20,289.02	50,973.84	71,262.86

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

7.16 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-years 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 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.

Subordinated Debentures

The Bank has issued subordinated debentures No. 1/2560 totaling of Baht 20,000 million with 20 million units, 1,000 Baht per value and a fixed coupon of 3.40 percent per annum. The coupon payments are made quarterly until maturity in 2027(B.E.2570). The debentures are redeemable at the instance of the issuer after the 5th years of the debenture or thereafter without holder's consent, within the scope of conditions.

Redemption of 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.

7.17 Provisions

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Provisions for employee benefits	11,947.70	10,776.99	10,859.40	9,795.64
Provisions for Litigations	518.85	335.91	518.85	335.91
Other provisions	159.12	39.38	146.32	31.87
Total provisions	12,625.67	11,152.28	11,524.57	10,163.42

7.17 Provisions (Continued)**Provisions for Employee Benefits**

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Provisions for employee benefits				
Beginning balances	10,776.99	10,391.04	9,795.64	9,609.72
Current service costs	608.26	565.65	506.27	465.14
Interest costs	420.53	496.46	383.64	457.63
Employee benefits paid during the period	(1,007.55)	(1,612.77)	(950.66)	(1,586.55)
Actuarial losses (gains) on defined benefit plans (Note 7.34)				
- from changes in demographic assumptions	(13.06)	(4.76)	(28.82)	(14.74)
- from changes in financial assumptions	1,162.53	941.37	1,153.33	864.44
Total provisions for employee benefits	11,947.70	10,776.99	10,859.40	9,795.64

The Principal Actuarial Assumptions

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Average discount rate	2.50% - 4.03%	2.75% - 4.34%
Average future salary increase rate	4.00% - 7.50%	4.00% - 7.50%
Average turnover rate	0.10% - 26.27%	0.11% - 30.00%
Retirement age	55 - 60 Years	55 - 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, changed 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, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Average discount rate				
Increase of 1 %	(1,216.67)	(1,008.35)	(1,091.60)	(890.52)
Decrease of 1 %	1,454.82	1,182.41	1,305.09	1,041.66
Average future salary increase rate				
Increase of 1 %	1,119.29	870.09	993.52	751.62
Decrease of 1 %	(959.60)	(761.55)	(849.49)	(658.15)
Average turnover rate				
Increase of 1 %	(137.92)	(120.43)	(111.83)	(99.86)
Decrease of 1 %	145.35	121.57	111.83	99.86

7.17 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, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Weighted average duration of the defined benefit plan	23	21	22	20
	(Million Baht)			
	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Maturity analysis of benefits expected to be paid				
Amount expected to be paid within 12 months	531.08	594.24	489.03	568.12
Amount expected to be paid between 1 to 2 years	586.87	535.90	543.84	499.08
Amount expected to be paid between 2 to 5 years	2,686.83	2,528.36	2,496.87	2,381.31
Amount expected to be paid between 5 to 10 years	6,646.06	6,365.81	6,125.71	5,884.33
Amount expected to be paid between 10 to 15 years	5,983.73	6,183.08	5,135.56	5,355.01
Amount expected to be paid between 15 to 25 years	10,425.51	8,419.47	7,713.35	5,540.87
Amount expected to be paid over 25 years	25,330.92	16,086.32	23,757.06	14,378.20

Provisions for Litigations

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Provisions for Litigations				
Beginning balance	335.91	538.01	335.91	538.01
Increase (decrease)	182.94	(202.10)	182.94	(202.10)
Ending balance	518.85	335.91	518.85	335.91

7.17 Provisions (Continued)**Other Provisions**

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Other provisions				
Beginning balance	39.38	34.16	31.87	25.53
Increase	119.74	5.22	114.45	6.34
Ending balance	159.12	39.38	146.32	31.87

7.18 Other Liabilities comprise the followings:

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Accrued interest expenses	3,734.98	4,125.33	3,443.08	3,849.37
Accrued expenses	11,760.42	14,339.86	10,011.39	12,663.39
Interbranch account	832.16	-	832.16	-
Suspense account creditors	3,495.95	2,955.41	5,064.80	4,148.10
Tax payables	2,730.09	3,132.80	1,965.53	2,510.59
Deferred revenue for reward points	2,558.54	2,640.55	-	152.82
Interbank account	812.09	-	812.09	-
Advanced account	198.34	186.36	198.34	186.36
Cheque in transit	5,289.95	5,020.70	5,289.95	5,020.70
Sundry liabilities	11,509.60	12,417.91	8,128.55	9,445.10
Total	42,922.12	44,818.92	35,745.89	37,976.43

7.19 Share Capital**7.19.1 Ordinary Shares**

As at December 31, 2017 and 2016, the Bank's authorized share capital and issued and paid-up share capital are 13,976,061,250 shares.

7.19.2 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.

7.19.3 The Bank is the state enterprise; its major shareholder is the Financial Institutions Development Fund (FIDF). As at December 31, 2017, FIDF holds 7,696,248,833 shares or 55.05 percent of paid-up ordinary and preferred shares.

7.20 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.

7.21 The Appropriation of 2016 Net Profit and Dividend Payment

On April 28, 2017, the 24th Annual General Shareholders' Meeting passed the resolution to approve the appropriation of 2016 net profit of Baht 29,967.79 million. 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 and dividend payment as follows:

	(Million Baht)	
	<u>Net Profit of 2016</u>	<u>Net Profit of 2015</u>
Dividend - preferred shares (@ Baht 1.0145 and Baht 0.9145)	5.58	5.03
Dividend - ordinary shares (@ Baht 0.86 and Baht 0.76)	12,019.41	10,621.81
Net profit carried forward	17,942.80	15,846.91

7.22 Obligations and Contingent Liabilities

7.22.1 Contingent Liabilities

	(Million Baht)	
	<u>Consolidated and the Bank's Financial Statements</u>	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Avals to bills	8,062.96	8,111.97
Guarantees of loans	4,011.56	4,011.03
Liability under unmatured import bills	4,368.59	4,756.16
Letters of credit	50,125.01	40,407.40
Other contingencies		
Unused credit line of overdraft	155,394.32	156,429.94
Other guarantees	168,116.68	156,273.58
Total	390,079.12	369,990.08

Besides the contingent liabilities mentioned above, As at December 31, 2017 and 2016, the Bank has material contingent liabilities owing to prosecutions of Baht 9,011.62 million and Baht 6,962.26 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, 2017 and 2016, the Bank has set aside provisions of Baht 518.85 million and Baht 335.91 million, respectively, for estimated losses from such cases.

7.22 Obligations and Contingent Liabilities (Continued)**7.22.2 Obligations under Long-Terms Leased**

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

(Million Baht)

<u>Consolidated Financial Statements</u>								
<u>Period</u>	<u>December 31, 2017</u>				<u>December 31, 2016</u>			
	<u>Within 1 year</u>	<u>Over 1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>	<u>Within 1 year</u>	<u>Over 1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Land and/or Premises	814.08	926.51	57.41	1,798.00	710.91	570.78	60.37	1,342.06
Vehicles	402.22	652.66	-	1,054.88	425.32	748.58	-	1,173.90
Others	54.15	32.94	-	87.09	137.93	43.92	-	181.85
Total	1,270.45	1,612.11	57.41	2,939.97	1,274.16	1,363.28	60.37	2,697.81

(Million Baht)

<u>The Bank's Financial Statements</u>								
<u>Period</u>	<u>December 31, 2017</u>				<u>December 31, 2016</u>			
	<u>Within 1 year</u>	<u>Over 1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>	<u>Within 1 year</u>	<u>Over 1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Land and/or Premises	568.90	557.36	57.41	1,183.67	560.25	480.54	60.37	1,101.16
Vehicles	355.69	582.52	-	938.21	374.79	671.74	-	1,046.53
Others	3.58	1.06	-	4.64	0.62	1.13	-	1.75
Total	928.17	1,140.94	57.41	2,126.52	935.66	1,153.41	60.37	2,149.44

7.23 Assets with Obligations and Restrictions

(Million Baht)

<u>Consolidated and the Bank's Financial Statements</u>		
	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Government and state enterprise bonds pledged as collateral		
Court collateral	413.76	102.65
Repurchase agreements	36,209.98	58,139.64
Properties for sale (debtor is granted the right to buy back or first right for this portion)	12,453.51	12,911.62
Total	49,077.25	71,153.91

7.24 Related Party Transactions

7.24.1 As at December 31, 2017 and 2016, loans to the Bank's executives (First Vice President and above) are Baht 134.96 million and Baht 106.35 million. The average outstanding balances of such loans at month end are Baht 119.47 million and Baht 98.12 million, respectively.

The loans outstanding As at December 31, 2017 and 2016 to close family of the Bank's executives mentioned above are Baht 18.90 million and Baht 29.51 million, respectively.

7.24 Related Party Transactions (Continued)**7.24.2 Loans and Obligations**

The balances of loans and obligations to related companies, normal bank pricing policies, As at December 31, 2017 and 2016 are as follows:

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Loans				
Related parties which the Bank totally held from 10 to 20 percent of their paid-up capital	0.51	0.43	0.51	0.43
Related parties which the Bank acquired equal to or over 10 percent of their paid-up capital from TDR	28.93	106.39	28.93	106.39
Subsidiaries				
KTB General Services and Security Co., Ltd.	-	-	10.16	9.09
KTB Computer Services Co., Ltd.	-	-	2,486.61	3,080.72
KTB Leasing Co., Ltd.	-	-	20,726.91	36,815.11
Krung Thai Asset Management Pcl.	-	-	0.04	0.05
Krungthai Card Pcl.	-	-	0.63	0.66
Less Allowance for doubtful accounts	-	-	(232.24)	(399.06)
Total	-	-	22,992.11	39,506.57
Associates				
Krung Thai IBJ Leasing Co., Ltd.	0.10	0.09	0.10	0.09
KT Zmico Securities Co., Ltd.	955.20	2,568.94	955.20	2,568.94
Krungthai Panich Insurance Pcl.	0.68	0.63	0.68	0.63
Less Allowance for doubtful accounts	(9.56)	(25.70)	(9.56)	(25.70)
Total	946.42	2,543.96	946.42	2,543.96
Other parties related with directors or key managements	22,082.24	5,017.89	22,082.24	5,017.89
Less Allowance for doubtful accounts	(220.17)	(45.32)	(220.17)	(45.32)
Total	21,862.07	4,972.57	21,862.07	4,972.57
Obligations				
Related parties which the Bank totally held from 10 to 20 percent of their paid-up capital	12.32	14.30	12.32	14.30
Related parties which the Bank acquired equal to or over 10 percent of their paid-up capital from TDR	0.96	0.29	0.96	0.29
Subsidiaries				
KTB General Services and Security Co., Ltd.	-	-	0.78	43.40
KTB Computer Services Co., Ltd.	-	-	4.55	4.55
KTB Leasing Co., Ltd.	-	-	1.18	1,061.20
Krungthai Card Pcl.	-	-	2.13	2.29
Associates				
Krung Thai IBJ Leasing Co., Ltd.	3.72	3.30	3.72	3.30
Krungthai Panich Insurance Pcl.	5.00	-	5.00	-
Other parties related with directors or key managements	8,375.97	4,191.87	8,375.97	4,191.87

7.24 Related Party Transactions (Continued)**7.24.3 Deposits and Borrowings**

The balances of deposits and borrowings to related companies, normal bank pricing policies, As at December 31, 2017 and 2016 are as follows:

	(Million Baht)			
	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Deposits				
Subsidiaries				
KTB Law Co., Ltd.	-	-	472.88	549.52
KTB General Services and Security Co., Ltd.	-	-	601.70	677.24
KTB Computer Services Co., Ltd.	-	-	307.62	177.22
KTB Leasing Co., Ltd.	-	-	218.27	274.78
Krung Thai Asset Management Pcl.,	-	-	440.07	189.86
KTB Capital Holding Co., Ltd.	-	-	-	252.86
KTB Advisory Co., Ltd.	-	-	36.82	36.89
Krungthai Card Pcl.	-	-	1,082.04	785.63
Associates				
Krung Thai IBJ Leasing Co., Ltd.	21.15	23.26	21.15	23.26
KT Zmico Securities Co., Ltd.	25.65	36.24	25.65	36.24
Krungthai Panich Insurance Pcl.	183.11	42.36	183.11	42.36
Krungthai-AXA Life Insurance Pcl.	2,105.84	1,627.83	2,105.84	1,627.83
Other parties related with directors or key managements	25,557.49	24,522.80	25,557.49	24,522.80
Borrowings				
Associates				
Krungthai-AXA Life Insurance Pcl.	3,800.00	3,250.00	3,800.00	3,250.00

7.24 Related Party Transactions (Continued)**7.24.4 Income and Expenses**

The Bank and its subsidiaries have 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, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Interest Income				
Subsidiaries				
KTB Computer Services Co., Ltd.	-	-	80.05	140.93
KTB Leasing Co., Ltd.	-	-	859.28	1,408.15
Krungthai Card Pcl.	-	-	17.93	15.52
Associates				
KT Zmico Securities Co., Ltd.	39.97	30.80	39.97	30.80
Interest Expenses				
Subsidiaries				
KTB Law Co., Ltd.	-	-	3.74	2.10
KTB General Services and Security Co., Ltd.	-	-	5.04	5.05
KTB Computer Services Co., Ltd.	-	-	0.69	0.51
KTB Leasing Co., Ltd.	-	-	5.16	0.90
Krung Thai Asset Management Pcl.	-	-	1.16	0.44
KTB Capital Holding Co., Ltd.	-	-	-	0.94
KTB Advisory Co., Ltd.	-	-	0.14	0.17
Krungthai Card Pcl.	-	-	2.19	2.41
Associates				
KT Zmico Securities Co., Ltd.	0.08	5.44	0.08	5.44
Krungthai Panich Insurance Pcl.	0.88	1.01	0.88	1.01
Krungthai-AXA Life Insurance Pcl.	164.75	141.55	164.75	141.55
Dividend Income				
Subsidiaries				
KTB Law Co., Ltd.	-	-	19.00	15.00
KTB General Services and Security Co., Ltd.	-	-	203.00	205.80
KTB Computer Services Co., Ltd.	-	-	27.30	13.00
Krung Thai Asset Management Pcl.	-	-	232.00	205.00
KTB Advisory Co., Ltd.	-	-	-	20.00
Krungthai Card Pcl.	-	-	510.00	414.38
Associates				
Krung Thai IBJ Leasing Co., Ltd.	39.05	34.20	39.05	34.20
KT Zmico Securities Co., Ltd.	-	138.63	-	138.63
Krungthai Panich Insurance Pcl.	158.40	158.40	158.40	158.40
Krungthai-AXA Life Insurance Pcl.	1,825.00	1,875.00	1,825.00	1,875.00
National ITMX Co., Ltd.	6.19	-	6.19	-

7.24 Related Party Transactions (Continued)**7.24.4 Income and Expenses (Continued)**

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Other Income				
Subsidiaries				
KTBLaw Co., Ltd.	-	-	0.15	0.21
KTB General Services and Security Co., Ltd.	-	-	5.66	4.40
KTB Computer Services Co., Ltd.	-	-	0.16	0.16
KTBL Leasing Co., Ltd.	-	-	26.24	38.28
Krung Thai Asset Management Pcl.	-	-	473.91	301.78
KTBL Advisory Co., Ltd.	-	-	-	0.01
Krungthai Card Pcl.	-	-	307.48	240.29
Associates				
KT Zmico Securities Co., Ltd.	21.71	40.92	21.71	40.92
Krungthai Panich Insurance Pcl.	169.09	0.22	169.09	0.22
Krungthai-AXA Life Insurance Pcl.	2,263.91	1,739.05	2,263.91	1,739.05
National ITMX Co., Ltd.	0.09	0.12	0.09	0.12
Other Expenses				
Subsidiaries				
KTBLaw Co., Ltd.	-	-	1,018.56	995.00
KTB General Services and Security Co., Ltd.	-	-	2,286.08	2,379.83
KTB Computer Services Co., Ltd.	-	-	3,384.18	3,484.36
KTBL Leasing Co., Ltd.	-	-	-	117.22
Krungthai Card Pcl.	-	-	6.18	22.08
Associates				
Krung Thai IBL Leasing Co., Ltd.	211.05	150.42	211.05	150.42
KT Zmico Securities Co., Ltd.	2.35	1.74	2.35	1.74
National ITMX Co., Ltd.	91.98	89.66	91.98	89.66

7.24.5 The Bank has no compensations or other benefits, both monetary and non-monetary, to directors and executives except ordinary benefits as follows:

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Short-term employee benefits	1,118.00	1,078.36	752.46	710.59
Post-employment benefits	28.52	35.00	13.29	14.28
Total	1,146.52	1,113.36	765.75	724.87

7.24 Related Party Transactions (Continued)

7.24.6 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, 2017 and 2016 of Baht 3,256.50 million and Baht 3,361.60 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, 2017 and 2016 of Baht 127.68 million and Baht 122.76 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, 2017 and 2016 of Baht 892.03 million and Baht 887.01 million, respectively.

3) KTB General Services and Security Co., Ltd. (KTBGS) is assigned by the Bank to operate all receive-delivery cash, foreign bank notes, foreign and financial instruments, and the Bank's asset. KTBGS also manages Krung Thai Bank Training Center and the Bank's other buildings. The Bank's expense from those services for the years ended December 31, 2017 and 2016 of Baht 2,286.08 million and Baht 2,379.53 million, respectively.

4) The Bank incurs service charges for sourcing and installing EDC machines for foreign exchange service to Krungthai Card Pcl. for the year ended December 31, 2017 of Baht 0.16 million.

5) The Bank incurs service charges on its subsidiaries [including service charges mentioned in No.1) to 4)] for the years ended December 31, 2017 and 2016 of Baht 6,695.00 million and Baht 6,980.25 million, respectively, at the agreed-upon rate.

6) The Bank generates fees income from service contracts for the years ended December 31, 2017 and 2016 of Baht 667.98 million and Baht 561.69 million, respectively.

7) The Bank generates premises rental income from subsidiaries for the years ended December 31, 2017 and 2016 of Baht 15.94 million and Baht 15.93 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, 2017 and 2016 at the amount of Baht 0.63 million at the agreed-upon rate.

2) The Bank generates fees income from supportive service contracts for the years ended December 31, 2017 and 2016 of Baht 2,363.06 million and Baht 1,741.43 million, respectively, at the agreed-upon rate.

7.25 Significant Financial Position and Operations Classified by Domestic and Foreign Business Segment**7.25.1 Financial Position Classified by Business Segment**

(Million Baht)

<u>Consolidated Financial Statements</u>						
	<u>December 31, 2017</u>			<u>December 31, 2016</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	2,804,573.24	55,231.82	2,859,805.06	2,629,299.92	64,197.67	2,693,497.59
Interbank and money market items, net	529,284.84	20,384.69	549,669.53	400,746.90	30,891.51	431,638.41
Investments, net*	226,479.52	1,760.24	228,239.76	240,951.98	1,570.93	242,522.91
Loans to customers and						
accrued interest receivables, net	1,790,762.28	27,149.99	1,817,912.27	1,767,185.68	31,392.46	1,798,578.14
Deposits	2,065,458.14	5,416.54	2,070,874.68	1,966,527.15	5,876.38	1,972,403.53
Interbank and money market items, net	227,074.21	1,617.19	228,691.40	208,966.02	2,205.29	211,171.31
Debt issued and borrowings	63,355.70	47,270.73	110,626.43	61,712.02	50,973.84	112,685.86

(Million Baht)

<u>The Bank's Financial Statements</u>						
	<u>December 31, 2017</u>			<u>December 31, 2016</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	2,721,945.80	55,231.82	2,777,177.62	2,554,394.51	64,197.67	2,618,592.18
Interbank and money market items, net	528,795.34	20,384.69	549,180.03	400,458.70	30,891.51	431,350.21
Investments, net*	218,249.60	1,760.24	220,009.84	235,786.81	1,570.93	237,357.74
Loans to customers and						
accrued interest receivables, net	1,726,193.81	27,149.99	1,753,343.80	1,707,580.89	31,392.46	1,738,973.35
Deposits	2,068,177.47	5,416.54	2,073,594.01	1,969,281.29	5,876.38	1,975,157.67
Interbank and money market items, net	217,449.56	1,617.19	219,066.75	199,510.71	2,205.29	201,716.00
Debt issued and borrowings	20,000.70	47,270.73	67,271.43	20,289.02	50,973.84	71,262.86

*Included investments in subsidiaries and associates.

The consolidated and the Bank's financial statements As at December 31, 2017 and 2016, has total assets before eliminating net interbranch transactions of Baht 5,595.05 million and Baht 3,794.24 million, respectively.

7.25 Significant Financial Position and Operations Classified by Domestic and Foreign Business Segment (Continued)**7.25.2 Operations Classified by Business Segment**

(Million Baht)

<u>Consolidated Financial Statements</u>						
	<u>December 31, 2017</u>			<u>December 31, 2016</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	120,970.49	4,714.82	125,685.31	127,399.39	5,392.07	132,791.46
Interest expenses	(36,614.81)	(3,292.46)	(39,907.27)	(42,168.01)	(3,657.62)	(45,825.63)
Interest income, net	84,355.68	1,422.36	85,778.04	85,231.38	1,734.45	86,965.83
Fees and service income, net	23,946.00	75.15	24,021.15	21,944.65	97.34	22,041.99
Other operating income	13,335.34	2.36	13,337.70	15,578.52	102.10	15,680.62
Other operating expenses	(93,756.42)	(472.86)	(94,229.28)	(83,941.14)	(119.71)	(84,060.85)
Operating profit before income tax expenses	27,880.60	1,027.01	28,907.61	38,813.41	1,814.18	40,627.59

(Million Baht)

<u>The Bank's Financial Statements</u>						
	<u>December 31, 2017</u>			<u>December 31, 2016</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	107,458.61	4,714.82	112,173.43	114,426.84	5,392.07	119,818.91
Interest expenses	(35,018.29)	(3,292.46)	(38,310.75)	(40,688.15)	(3,657.62)	(44,345.77)
Interest income, net	72,440.32	1,422.36	73,862.68	73,738.69	1,734.45	75,473.14
Fees and service income, net	20,187.70	75.15	20,262.85	18,680.61	97.34	18,777.95
Other operating income	11,207.91	2.36	11,210.27	12,582.72	102.10	12,684.82
Other operating expenses	(79,730.99)	(472.86)	(80,203.85)	(70,569.62)	(119.71)	(70,689.33)
Operating profit before income tax expenses	24,104.94	1,027.01	25,131.95	34,432.40	1,814.18	36,246.58

The consolidated and the Bank's financial statements for the years ended December 31, 2017 and 2016, has total interest income and interest expenses before eliminating net interbranch transactions of Baht 3,177.86 million and Baht 3,561.57 million, respectively.

7.26 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 and etc.

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, 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 gain net operating profit after tax (NOPAT).

(Million Baht)

<u>Consolidated Financial Statements</u>						
<u>December 31, 2017</u>						
	<u>Retail</u>	<u>Wholesale</u>	<u>Treasury and</u>	<u>Support and</u>		
	<u>Banking</u>	<u>Banking</u>	<u>Investment</u>	<u>Others</u>	<u>Adjustments</u>	<u>Total</u>
Total operating income	54,986.60	33,351.78	7,983.37	26,802.39	12.75	¹ 123,136.89
Total expenses (excluding bad debts, doubtful						
accounts and loss on impairment)	(31,296.92)	(4,529.13)	(2,859.37)	(15,494.90)	(12.90)	¹ (54,193.22)
Bad debts, doubtful accounts and loss on impairment	(3,588.15)	(27,601.91)	949.26	(14,592.74)	0.15	(44,833.39)
Net profit (loss)	20,101.53	1,220.74	6,073.26	(3,285.25)	-	24,110.28
Segment assets	972,067.56	1,055,116.71	35,139.65	720,781.50	71,104.59	2,854,210.01
Segment liabilities	1,450,229.30	630,888.09	203,356.79	196,836.55	78,680.33	2,559,991.06

7.26 Operations Classified by Operating Segment (Continued)

(Million Baht)

<u>Consolidated Financial Statements</u>						
<u>December 31, 2016</u>						
	Retail <u>Banking</u>	Wholesale <u>Banking</u>	Treasury and <u>Investment</u>	Support and <u>Others</u>	<u>Adjustments</u>	<u>Total</u>
Total operating income	56,573.57	36,373.33	10,876.56	20,002.70	862.29 ¹	124,688.45
Total expenses (excluding bad debts, doubtful accounts and loss on impairment)	(30,904.51)	(9,171.82)	(3,215.31)	(13,540.50)	(862.44) ¹	(57,694.58)
Bad debts, doubtful accounts and loss on impairment	(5,039.53)	(8,050.98)	(641.45)	(19,697.57)	0.15	(33,429.38)
Net profit (loss)	20,629.53	19,150.53	7,019.80	(13,235.37)	-	33,564.49
Segment assets	829,308.90	1,075,229.16	165,231.60	663,328.82	(43,395.13)	2,689,703.35
Segment liabilities	1,424,588.67	604,016.42	201,037.61	213,338.08	(32,682.07)	2,410,298.71

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.

7.27 Interest Income

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Interbank and money market items	10,419.68	11,212.56	10,419.49	11,211.74
Investment and trading transactions	281.51	136.96	281.51	136.96
Investment in debt	3,749.88	4,585.02	3,746.95	4,580.89
Loans	106,186.68	110,297.76	94,485.80	100,286.12
Hire-purchase and finance lease	1,807.97	2,957.22	0.10	1.39
Others	61.73	40.37	61.72	40.25
Total interest income	122,507.45	129,229.89	108,995.57	116,257.35

7.28 Interest Expenses

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Deposits	20,142.20	24,770.33	20,159.15	24,782.41
Interbank and money market items	2,899.65	3,053.18	2,816.80	2,824.20
Contributions to Bank of Thailand (BoT)	9,172.53	9,451.72	9,172.53	9,451.72
Contributions to Deposit Protection Agency (DPA)	199.77	205.99	199.77	205.99
Debt issued				
Subordinated notes	4,237.74	4,726.24	2,728.59	3,487.91
B/E	0.91	0.54	-	-
Borrowings	26.50	29.01	5.21	6.65
Others	50.11	27.05	50.84	25.32
Total interest expenses	36,729.41	42,264.06	35,132.89	40,784.20

7.29 Fees and Service Income, Net

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Fees and service income				
Acceptance, aval and guarantee	1,841.59	1,786.33	1,841.59	1,786.33
Others	26,796.67	24,145.12	21,516.20	19,474.32
Total fees and service income	28,638.26	25,931.45	23,357.79	21,260.65
Fees and service expenses	(4,617.11)	(3,889.46)	(3,094.94)	(2,482.70)
Fees and service income, net	24,021.15	22,041.99	20,262.85	18,777.95

7.30 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, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Gains (losses) on tradings and foreign exchange transactions				
Foreign currency and foreign currency related derivatives	3,245.80	4,488.76	3,247.35	4,488.75
Interest rate related derivatives	916.11	2,010.31	903.44	1,984.94
Debt securities	390.14	23.63	390.14	23.63
Equity securities	0.61	(2.40)	0.61	(2.40)
Others	(235.74)	307.21	(235.74)	307.21
Total gains on tradings and foreign exchange transactions, net	4,316.92	6,827.51	4,305.80	6,802.13

7.31 Gain on Investments, Net

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Gains on sale of				
Available-for-sale securities	631.89	664.85	631.89	664.85
General investments	31.87	5.47	31.87	5.47
Total	663.76	670.32	663.76	670.32
Gains on investments in the liquidation associate	252.25	-	252.25	-
Reverse (losses) on impairment of				
General investments	12.65	24.25	12.65	24.25
Investment in subsidiaries and associates	-	-	(3.69)	-
Total	12.65	24.25	8.96	24.25
Total gains on investments, net	928.66	694.57	924.97	694.57

7.32 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, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Interbank and money market items	2,263.25	265.23	2,263.25	265.23
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	42,614.65	33,144.33	35,281.11	26,711.11
Loss from troubled debt restructuring	(44.36)	23.66	(44.36)	23.66
Total bad debts, doubtful accounts, and loss on impairment	44,833.39	33,429.38	37,499.85	26,996.16

7.33 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, 2017 and 2016 are as follows:

		(Million Baht)			
		<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
		<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Current tax					
Current period		4,937.25	6,226.61	3,676.75	5,260.42
Deferred tax					
Movement in temporary differences		(139.91)	836.49	142.73	1,018.37
Total		<u>4,797.34</u>	<u>7,063.10</u>	<u>3,819.48</u>	<u>6,278.79</u>

Reconciliation of effective tax rates for the years ended December 31, 2017 and 2016 are as follows:

		(Million Baht)			
		<u>Consolidated Financial Statements</u>			
		<u>December 31, 2017</u>		<u>December 31, 2016</u>	
		<u>Tax Rate</u>	<u>Amount</u>	<u>Tax Rate</u>	<u>Amount</u>
Operating profit before income tax expenses			<u>28,907.61</u>		<u>40,627.59</u>
Income tax calculated statutory tax rates	20.00%		5,781.52	20.00%	8,125.52
Tax effects of income and expenses					
that are not taxable and deductible for tax purposes, net			<u>(984.18)</u>		<u>(1,062.42)</u>
Total	16.60%		<u>4,797.34</u>	17.39%	<u>7,063.10</u>

		(Million Baht)			
		<u>The Bank's Financial Statements</u>			
		<u>December 31, 2017</u>		<u>December 31, 2016</u>	
		<u>Tax Rate</u>	<u>Amount</u>	<u>Tax Rate</u>	<u>Amount</u>
Operating profit before income tax expenses			<u>25,131.95</u>		<u>36,246.58</u>
Income tax calculated statutory tax rates	20.00%		5,026.39	20.00%	7,249.32
Tax effects of income and expenses					
that are not taxable and deductible for tax purposes, net			<u>(1,206.91)</u>		<u>(970.53)</u>
Total	15.20%		<u>3,819.48</u>	17.32%	<u>6,278.79</u>

7.34 Components of Other Comprehensive Income and Related Taxes

Components of other comprehensive income and related taxes for the years ended December 31, 2017 and 2016.

(Million Baht)

	<u>Consolidated Financial Statements</u>					
	<u>December 31, 2017</u>			<u>December 31, 2016</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	(12.93)	2.58	(10.35)	2,528.02	(505.60)	2,022.42
Gains on remeasuring available-for-sale investments**	1,380.37	(276.07)	1,104.30	6,724.39	(1,344.88)	5,379.51
Gains (losses) arising from translating the						
financial statements of foreign operations	192.59	-	192.59	(79.91)	-	(79.91)
Actuarial losses on defined benefit plans* (Note 7.17)	(1,149.47)	229.89	(919.58)	(936.61)	187.32	(749.29)
Share of other comprehensive income from associates	2,883.38	-	2,883.38	(216.64)	-	(216.64)
Other comprehensive income	3,293.94	(43.60)	3,250.34	8,019.25	(1,663.16)	6,356.09

(Million Baht)

	<u>The Bank's Financial Statements</u>					
	<u>December 31, 2017</u>			<u>December 31, 2016</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	(12.93)	2.58	(10.35)	2,528.02	(505.60)	2,022.42
Gains on remeasuring available-for-sale investments**	1,380.37	(276.07)	1,104.30	6,724.39	(1,344.88)	5,379.51
Gains (losses) arising from translating the						
financial statements of foreign operations	192.59	-	192.59	(79.91)	-	(79.91)
Actuarial losses on defined benefit plans* (Note 7.17)	(1,124.51)	224.90	(899.61)	(849.70)	169.94	(679.76)
Other comprehensive income	435.52	(48.59)	386.93	8,322.80	(1,680.54)	6,642.26

* Recorded in retained earnings

** Included Gains (Losses) from reclassification of investments

7.35 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, 2017</u>				<u>December 31, 2016</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								
Derivatives assets	-	33,833.40	-	33,833.40	-	30,063.05	-	30,063.05
Trading investments	-	8,483.91	-	8,483.91	-	17,103.12	-	17,103.12
Available-for-sale investments	39,514.28	118,982.45	-	158,496.73	32,883.94	73,356.92	-	106,240.86
Total financial assets	39,514.28	161,299.76	-	200,814.04	32,883.94	120,523.09	-	153,407.03
Financial Liabilities								
Derivatives liabilities	-	30,284.42	-	30,284.42	-	31,516.69	-	31,516.69
Total financial liabilities	-	30,284.42	-	30,284.42	-	31,516.69	-	31,516.69

(Million Baht)

<u>The Bank's Financial Statements</u>								
	<u>December 31, 2017</u>				<u>December 31, 2016</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								
Derivatives assets	-	33,842.51	-	33,842.51	-	30,084.83	-	30,084.83
Trading investments	-	8,486.92	-	8,486.92	-	17,122.65	-	17,122.65
Available-for-sale investments	39,514.28	118,982.45	-	158,496.73	32,883.94	73,356.92	-	106,240.86
Total financial assets	39,514.28	161,311.88	-	200,826.16	32,883.94	120,564.40	-	153,448.34
Financial Liabilities								
Derivatives liabilities	-	30,284.42	-	30,284.42	-	31,516.69	-	31,516.69
Total financial liabilities	-	30,284.42	-	30,284.42	-	31,516.69	-	31,516.69

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.

7.35 Fair Value of Financial Instruments (Continued)

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, exchange rates, and volatilities.

Fair value of investment in domestic issued debt securities is calculated by using published price in the Thai Bond Market Association (ThaiBMA), while fair value of investment in foreign issued debt securities are presented fair value by using the latest published price from reliable institutions.

Besides, by using valuation techniques the Bank has valuation adjustment in order to properly reflect related risk i.e. Credit Valuation Adjustment (CVA), liquidity risk of market is considered by Bid – offer Spread Adjustment and model risk used in the option valuation by currency guarantee program for SMEs.

7.36 Business Transaction within the Financial Business Group Policies and Risk Management Policies regarding Business Transaction within the Financial Business Group.

The BOT's Notification No. SOR NOR SOR. 5/2560 - SOR NOR SOR. 9/2560 dated April 27, 2017 regarding the Regulations on Consolidated Supervision Policy requires the Bank to disclose the business transaction within the financial business group policies and risk management policies regarding business transaction within the financial business group as follows:

The business transaction and risk management within the financial business group are prepared as regulations to supervise business transaction within the financial business group, including the Bank and 11 companies within the financial business group (Note 7.5), in terms of common standards and procedures which conform to the BoT's consolidated supervision policy. the business transaction within the financial business group policies and risk management policies regarding business transaction within the financial business group are approved by the Bank's board of directors and reviewed at least once a year. The policies also include transaction types, rules and regulations of business transactions, ratio of business transactions within the financial business group, and other related operating procedures. Business transactions within the group are conducted in the same manner as public operations and follow the Bank's corporate governance.

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.

7.37 Others

7.37.1 The Bank has certain default debtors in relation to convertible preferred shares sale and lending with the outstanding principal amounts as per the related agreements totaling Baht 9,745 million as at December 31, 2017, exclusive of the interest charged thereon at default rates. The Bank has fully made a provision for impairment and allowance for doubtful accounts according to the BoT's regulations and is currently in the execution process following the orders of the Civil and Bankruptcy Courts.

7.37 Others (Continued)

These debtors, together with certain other defendants, have also been prosecuted to the Criminal Division for Persons Holding Political Position of The Supreme Court by the Office of the Attorney General. The Supreme Court had issued the order of acceptance on July 25, 2012 and later gave a final judgment on August 26, 2015 that all defendants must be accountable for the damage caused to the Bank. The Bank submitted the letter to the Office of the Attorney General to designate its Department of Legal Execution 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 with 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 the legal execution of the Supreme Court's order. They will coordinate and exchange information, and each party will utilize its authority by the law and the Supreme Court's order for legal execution towards the defendants for the Bank's benefits.

On August 17, 2017, a defendant of the criminal suit of the Persons Holding Political Positions, who was not one of the default debtors, made a partial settlement of Baht 1,635.74 million to the Bank in relation to the criminal lawsuit. The Bank has accepted such payment, which is recorded the transaction as revenue from litigation compensation, and also sent a letter to this defendant demanding for further payment together with all other defendants to the Bank for the remaining compensation amount according to the order of the Criminal Division for Persons Holding Political Position of The Supreme Court. For the civil lawsuit, the Bank still has the right to full suit and continues the legal execution and debt collection processes against all the default debtors according to the relevant judgments.

7.37.2 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.

7.37.3 On October 12, 2016, the Bank is considering the principle of closing a certain foreign branch. Currently, the Bank hired legal consultant and on the process of discussion with related departments. Assets, liabilities and operating performances of the branch do not have a material effect on the Bank's financial statements.

7.38 Approval of the Financial Statements

These financial statements have been authorized for issue by the Board of Directors on February 28, 2018.
