
1. Policy and Overview of Business

Background

KASIKORNBANK Public Company Limited was established on 8 June 1945 with registered capital of Baht 5 Million. In its infancy, the Bank provided services of deposit-taking for general public and lending for business operations with chargeable interest rates at appropriate levels. The Bank has been listed on the Stock Exchange of Thailand and started trading in the market since 9 February 1976. In 1993, the Bank registered as a public company limited.

Mission

KASIKORNBANK aims to be a strong financial institution that provides a variety of financial services of world-class quality responsive to customers' needs by harmoniously combining technology and human resources so as to achieve optimal benefits for customers, shareholders, employees and society.

Vision

KASIKORNBANK aims to be the strongest, the most innovative and the most proactive financial institution in serving customers.

Core Values

- Customer Centricity
- Organization-Wide Teamwork
- Professionalism
- Innovation

Business Directions of KASIKORNBANK and the wholly-owned subsidiaries of KASIKORNBANK

Overview of 2014 and Outlook for 2015

In 2014, Thailand experienced gradual growth amid a sluggish recovery of exports and tourism, as well as lower-than-expected government spending and investment. These variables are deemed as key risks for Thai economic recovery in 2015.

To counter these economic uncertainties, KBank and K Companies firmly adhere to a commitment of delivering quality business operations, with the purpose of achieving sustainable growth and return over the long term. With our “Customer Centricity” strategy and efforts towards becoming our customers’ “Main Bank”, we strive to accommodate their varying needs in all eight customer segments. Our comprehensive financial products and service solutions are made accessible to them via numerous channels that deliver excellent service to our customers, under KBank’s brand positioning of being an innovator seeking to uplift our customers’ quality of life and their business potential. This concept has been achieved by synergies between KBank, K Companies and our strategic partner – Muang Thai Life Assurance PCL. – wherein we employ timely and effective risk management.

In response to the broadened business opportunities offered by market liberalization within Asia and in Thailand’s provincial areas, KBank has adopted a business expansion strategy that covers both domestic and foreign markets. In Thailand, our focus remains on strategic provinces with economic growth potential and opportunities to reap benefits from further AEC advancement. To enhance our efficiency in responding to business needs, we have established business hubs in each locality with focus on getting access to large corporate clients and/or industries with upstream and downstream businesses within their

supply chains. Along with the opening of new branches, plus SME Business Centers and THE WISDOM centers in strategic provinces, we have undertaken marketing activities matched to the specific requirements of customers there.

Regarding our international business expansion, KBank has explored novel opportunities revealed by the AEC, as well as greater connectivity with China, Japan and South Korea. While we are extending our network, alliances with partner banks have also been forged to enhance our capacity to serve all AEC+ customers with respect to international transactions and settlements. To date, KBank has signed memoranda of understanding to enhance cooperation and boost banking development between 69 global partner banks in 11 countries, i.e., China, Japan, South Korea, Germany, Italy, Indonesia, Malaysia, the Philippines, Cambodia, Vietnam and Lao PDR.

As for China – now an important market for Thai exports and a major trade partner – business and investment activities between the two countries have been flourishing, and now with the greater connectivity offered by the AEC in trade/investment with China, KBank is developing financial products and services to reach more customers via our Chinese-Thai Business Center that provides useful information and advisory services to Thai businesses seeking to invest in China, and vice versa. Presently, KBank’s presence in China includes three branches in Hong Kong, Shenzhen, Chengdu and one sub-branch in Longgang, Shenzhen, and three representative offices in Beijing, Shanghai and Kunming.

Beyond the above strategies, KBank has placed equal importance on consistent support operations to maintain our long-term competitiveness, stressing adherence to business ethics, good corporate governance principles and environmental preservation – all driving our organization towards sustainable development, transparency and accountability. Based on a “Green at Heart” corporate resolution, we strive to instill within our workforce a commitment to economic, social and environmental responsibility, while endeavoring to raise awareness towards this concept in all our operations, with the ultimate goal of creating a strong foundation for national development.

Through these efforts, KBank and K Companies have achieved better business performance and earned the recognition of various organizations at home and abroad, proven by many awards bestowed in 2014, notably:

Awards to KBank and K Companies
• Three awards: Best Domestic FX Provider 2014 for the category of FX Product and Services; FX Option; and FX Research & Market Coverage, organized by Asiamoney magazine. • Five awards: Best Individual in Research in Thai Baht Bonds; First place winner of the Top Bank in the Secondary Market for Government Bonds, Thailand; Second place winner of the Top Bank in the Secondary Market for Corporate Bonds, Thailand; Investors’ Choice for Primary Issues for Government Bonds, Thailand; and Investors’ Choice for Primary Issues for Corporate Bonds, Thailand, from The Asset Award 2014, organized by The Asset magazine. • Trade Finance Award for Excellence, for the second consecutive year, presented by Euromoney magazine. • Global Financial Services Awards 2014 for the digital marketing category, awarded by the European Financial Management Association (EFMA) and Accenture, which is a world’s leading management consulting, technology services and outsourcing company. • Best Wealth Management Provider – Thailand, 2014, from UK-based World Finance magazine, based on selection results by organizing team and readers of the magazine. • Two awards: Best Retail Bank in Thailand, for the fifth consecutive year; and Best Social Media Project, from The Asian Banker Excellence in Retail Financial Services International Awards 2014, organized by The Asian Banker journal. • Three awards: Domestic Retail Bank of the Year – Thailand; Online Banking Initiative of the Year-Thailand; and Best Branch Innovation – Silver, from the Asian Banking & Finance Retail Banking Awards 2014, organized by Asian Banking & Finance magazine. • Three awards: SET Award of Honor for Top Corporate Governance Report, for the seventh consecutive year; Best Investor Relations Award; and Outstanding Corporate Social Responsibility Award, from the SET Awards 2014, organized by the Stock Exchange of Thailand and Money &

Awards to KBank and K Companies

Banking magazine. • “Excellence” from the Corporate Governance Report of Thai Listed Companies 2014, organized by the Thai Institute of Directors Association. • “Excellence” from the AGM Assessments Program 2014, organized by the Thai Investors Association, Office of the Securities and Exchange Commission, and Thai Listed Companies Association. • Investor Choices, by the Thai Listed Companies Association. • The Asset’s Excellence in Management and Corporate Governance Benchmarking Awards 2014, by The Asset magazine. • The Best of Asia 2014: Asia’s Icon on Corporate Governance, by Corporate Governance Asia magazine. • Excellence Labour Relation and Welfare Award 2014 for the large enterprise with labour union category, for the ninth consecutive year, by the Ministry of Labour. • Best Asset Management Company of the Year 2014 (Thailand) given to KAsset from The Asset Triple A Investor and Fund Management Awards 2014, organized by The Asset magazine. • Three awards from The Asset magazine: Top Investment House Thai Baht Bonds 2014, Thailand; First place winner and second place winner of Most Astute Investors in Thailand 2014.

For business direction in 2015, KBank will focus on four key strategies:

1. To attain Main Bank status for all customer segments with strong brand positioning
2. To become a leader in digital banking and transaction banking services
3. To become an “AEC+3 Bank” to capture opportunities in the AEC plus China, Japan and South Korea
4. To emphasize a delivery of excellent services and strengthen our market positioning.

In order to seek solid business advancement and achieve our established targets, we maintain an emphasis on enhanced capacity and efficiency at all support divisions. Notable efforts have been seen through improvements of our Risk Management Strategy to generate sustainable profitability of KBank and K Companies, plus our IT Strategy aimed at better fortifying data processing systems and personnel in response to business units’ evolving needs, and our Human Capital Strategy defining human resource management for maximum efficiency.

2. Business Operations

KASIKORNBANK PCL. (KBank) conducts commercial banking, securities and other related businesses per the Financial Institutions Business Act, Securities and Exchange Act and other regulations. KBank primarily provides financial services via an extensive branch network nationwide. As of 31 December 2014, KBank had 1,124 branches, 9,853 ATMs and 2,775 cash deposit machines across the country. In addition, KBank has established overseas branch service network, i.e. one Locally Incorporated Institution (LII), five branches, one sub-branch, and eight representative offices, with operations and services centralized at the Head Office.

Income Structure of KBank and its subsidiaries

Income Structure of KBank and its subsidiaries for the years ended 31 December are as follows:

(Unit : Million Baht)

	2014		2013 (Restated)		2012*	
	Amount	%	Amount	%	Amount	%
Interest income						
Interbank and money market items	3,303	2.38	4,302	3.58	4,602	4.41
Deposits	993	0.71	368	0.31	365	0.35
Loans (without repurchase agreements)	249	0.18	292	0.24	355	0.34
Repurchase agreements	2,061	1.49	3,642	3.03	3,882	3.72
Investments	16,240	11.71	13,602	11.31	12,287	11.78
Trading investments	339	0.24	329	0.27	463	0.44
Available-for-sale investments	7,379	5.32	6,849	5.69	6,818	6.54
Held-to-maturity investments	8,522	6.15	6,424	5.34	5,006	4.80
Loans	88,989	64.18	83,692	69.56	75,370	72.26
Hire purchase and financial lease	4,985	3.60	4,589	3.81	3,980	3.82
Others	61	0.04	41	0.03	(65)	(0.06)
Total interest income	113,578	81.91	106,226	88.29	96,174	92.20
Total interest expenses	30,446	21.95	33,429	27.79	32,593	31.25
Total interest income - net	83,132	59.96	72,797	60.50	63,581	60.96
Non-interest income						
Fees and service income	42,690	30.79	36,613	30.43	31,428	30.13
Fees and service expenses	8,746	6.31	7,803	6.48	6,961	6.67
Fees and service income – net	33,944	24.48	28,810	23.95	24,467	23.46
Gain on trading and foreign exchange transactions	6,132	4.42	5,896	4.90	5,555	5.33
Loss on financial liabilities designated at fair value through profit or loss	(3)	0.00	(18)	(0.01)	(46)	(0.04)
Gain on investments	1,183	0.85	948	0.79	624	0.60
Share of profit from investments using equity method	88	0.06	193	0.16	20	0.02
Dividend income	1,097	0.79	882	0.73	1,408	1.35
Net premiums earned	73,088	52.71	58,414	48.55	47,517	45.56

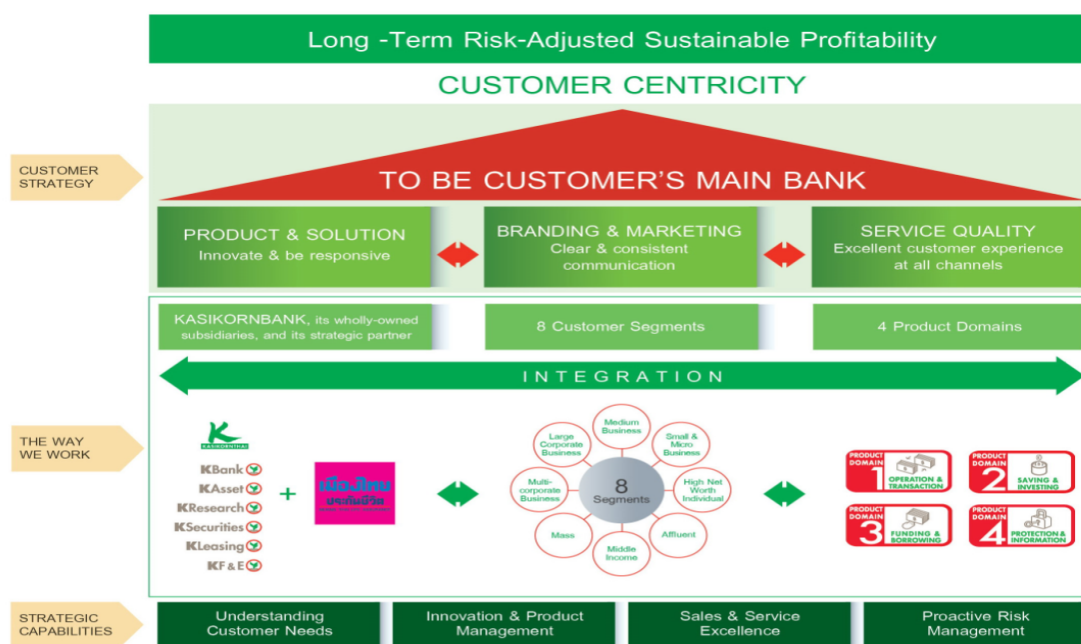
Other operating income	1,314	0.95	1,080	0.90	1,369	1.31
Less Underwriting expenses	61,319	44.22	48,685	40.47	40,190	38.53
Total non-interest income	55,524	40.04	47,520	39.50	40,724	39.04
Total operating income - net	138,656	100.00	120,317	100.00	104,305	100.00

* The Bank and its subsidiaries have not presented a restated financial statement for the change in accounting policy, TFRIC13 Customer Loyalty Programmes which has been adopted from 1 January 2014 onwards. However, this change has no effect on total assets, total liabilities and total equity or net profit of the Bank and its subsidiaries as previously reported.

Operations of Core Businesses

Business Overview

KBank and K Companies adhere to our “Customer-Centricity” strategy that furthers our business development in all dimensions, across all customer segments, product domains and major sales and service channels, to support our customers’ business growth and financial needs more efficiently. These efforts also help us to achieve our strategic goals and maintaining sound portfolio quality.



Customer Segments

To maintain our “Main Bank” status among all eight customer segments, we focus on retaining our existing customer base along with new customer acquisition, especially in major provinces nationwide. With adherence to a strategy of sustaining our “top-of-mind” position with customers, we develop “total solutions”, both financial and non-financial, to efficiently match the needs of all corporate and individual customer, wherein we consider the impact of domestic and global economies, as well as political changes, on our customers. We are gearing towards enhancing our ability to offer them viable alternatives by which they can grow sustainably.

Notable actions during 2014 included:

▪ ***Multi-Corporate Business***

We continue to emphasize a strategy of improving our customers' competitiveness in all aspects. Our clients, Multi-Corporate Business, are key drivers of national economy with strong growth potential and firm foundation. KBank focuses on supporting their business at home and internationally in strategic planning, operations, investment and day-to-day transactions.

In 2014, KBank – being well aware of slowing investment due to political instability, especially during the first half of the year – saw accumulated pending demand in the investment programs both in size and number, and preparations were made to ensure proper support can be met when needed. As normal economic activity resumed during the latter half of the year, KBank supported these clients, spanning across key industries, on their investment projects; both for organic growth (e.g., expansion and productivity enhancement), as well as joint ventures (JV) and mergers and acquisitions (M&A). We also introduced new fund-raising alternatives to our clients (e.g., Corporate Bond Funds and Real Estate Investment Trusts).

As for financial transactions, we place emphasis on providing financial solutions specifically designed and well-suited for each of the clients. We ensure more integrated, more effective and more efficient services across domestic and international boundaries; especially the AEC countries.

▪ ***Large Corporate Business***

Despite delayed recovery in private investment and international trade transaction, positive signs were seen in improving domestic demand driven by government stimulus scheme. Throughout 2014, KBank placed particular emphasis on transaction banking by enhancing customers' operation flow and flexibility in preparation for a 'Digital Economy'. Shifting towards electronic channel, e.g., Electronic Domestic Letters of Credit (E-DL/C) available via K-Trade Connect, these comprehensive electronic transaction services are provided for both our customers and their trading partners. We also offer upgraded financial transaction services via multiple channels under "BIZ Automation" concept to ensure cost effectiveness, risk mitigation and higher growth opportunities for customers within Thailand and elsewhere.

To advance our customers' competitiveness and operational efficiency in prompt responsiveness to the AEC's inception, KBank has continuously supported supply chain connectivity, while also focusing on financial advisory services, organizational restructuring, well-planned funding in various forms for customers entering capital markets, all of which will drive their business growth over the long-term.

▪ ***Medium Business***

An important policy of the government during 2014 was to assist SME businesses that had been impacted considerably by economic sluggishness, in particular during the first half of the year. Tax assistance measures were launched and soft loans were provided. However, the recovery of this customer segment has been constrained by rising debt that impedes the spending power of households; also, the tourism sector has yet to recover after serious domestic political strife and low export performance due to shrinking demand from markets abroad.

Adhering to our Customer Centricity strategy, we have pursued a policy of "K SME: Full Support for SMEs" that emphasizes SME assistance based on their actual requirements and financial constraints. Our customer care – offering "total solutions" – provides credit and financial management services to support customers all through their supply chains, upstream to downstream. We recognize customers' limitations towards access to funding and credit-

related expertise, thus, with the aid of our highly qualified relationship manager (RM) teams and reliable financial advisors, we offer them full-time assistance.

▪ ***Small and Micro Business***

The “K SME: Full Support for SMEs” policy was also implemented to assist Small and Micro Business customers, based on their demand and financial limitations. Particular attention was given to provincial customers with limited access to funding sources and knowledge of commercial credit applications. To this end, KBank has pursued three strategies: 1) funding arrangements to meet customer demand; 2) delivering useful expertise to existing customers, as well as creating brand awareness with SME start-ups to expand our customer base; and, 3) strengthening ties with existing customers by providing beneficial information and financial advisory services. Our customer care network has been improved and expanded to cover all locales nationwide.

▪ ***High Net Worth Individual***

KBank stresses the importance of factors that help achieve sustainable success in providing services to our High Net Worth Individual customers, by upgrading the quality of “KBank Private Banking” services and staff to increase our potential in offering advisories on customers’ portfolio management. To uplift our service standards to international levels, an alliance has been forged with Lombard Odier Bank, the oldest private banking service provider in Switzerland. In addition to organizing activities offering essential knowledge in asset allocations, a KBank Private Banking website was launched to provide useful advice to High Net Worth Individual customers, as well as in-depth insights into various investment products to equip those customers with knowhow towards investment markets that have become more complex.

Beyond such investment assistance, other services are available that cater to diverse High Net Worth Individual customers’ lifestyles, such as THE WISDOM Card (Visa Infinite) for those having assets under management of Baht 150 million or more, or special events held to match their lifestyles.

▪ ***Affluent***

KBank intends to keep our top position with THE WISDOM brand among Affluent customers, and add to those using us as their “Main Bank”, as well as those increasing their KBank product holdings. We strive to retain our existing customers by further enhancements to our quality services, along with customer base expansion in major provincial cities and among foreign nationals alike.

Via collaboration between KBank and the wholly-owned subsidiaries of KBank, we benefit from reciprocal referrals and upgrades to each business unit’s customers, especially those in major provinces and among foreign nationals, aiming to become their Main Bank for business and their personal finances. Customers are offered investment solutions with good returns at acceptable risk levels matching their particular demand; responsive, promotional campaigns are continually devised to increase their deposits and investments. Moreover, with an aim to offer customers our special services in response to their financial needs and lifestyles, we are expanding THE WISDOM Center and Corner coverage nationwide, e.g., THE WISDOM Lounge @ Central Embassy and THE WISDOM center in KASIKORNTHAI BANK Limited in Lao PDR. Customers also enjoyed memorable experience with organized visits to places of cultural heritage significance and occasions to indulge in exclusive meals prepared by Michelin-starred chefs.

▪ *Middle Income*

We proceed with strategies to tap into strategic provinces by establishing new branches and organizing marketing activities in tune with local preferences. Various services have been offered as a tool to access target groups to become their “Top of Mind” bank, and towards acquiring more product holdings.

New generation clientele having Baht 2-10 million in investments are attracted via our THE PREMIER brand, based on a “THE PREMIER: Your Pride, Your Joy” concept. To showcase the brand as a mark of pride and special privileges, we have organized activities, e.g., “THE PREMIER PHENOMENON” and “THE PREMIER Experience in Mongolia”.

For general customers in this segment, KBank products and services have been developed to suit their lifestyles. Such products and services are presented to customers on the day when they apply for KBank services, in order to facilitate their account transactions and encourage consistent use of our services. Our digital banking leadership has been emphasized via our K-MOBILE BANKING PLUS mobile app that offers greater transaction convenience and security. Our K-Expert teams with professional advisory services contribute to our differentiation; service coverage has been expanded into more provinces and through more varied channels that are introduced via workshops, seminars and “Meet the Expert: Wanna Be Rich” staged performances.

▪ *MASS*

Our goal is to become number one in these customers’ minds nationwide. To achieve this, new products and services are being offered, along with our convenient electronic channels to better answer their needs, which in turn will lead to more product holdings.

This year, localized marketing activities were initiated, starting with the “Joyful Festival with 3 Cha Carniwow” – a concert for new customers held in 49 provinces. Meanwhile, we have forged productive ties with universities and all related persons to bolster transactions via our “Main Operating Account” service. To reemphasize our role as a debit card innovator, we periodically introduce new designs in debit cards for various customer groups in line with the Universal Debit Card concept, i.e., one card for use everywhere. Our “Transaction Alert” service via mobile devices notifies customers of transactions on their accounts.

Product Domains and Sales Channels

Product Domains

KBank has offered products and services categorized into four key product domains, i.e., Operation & Transaction, Saving & Investing, Funding & Borrowing, and Protection & Information. Notable initiatives during 2014 included:

▪ **Operation & Transaction**

Products and Services	Details
Financial Transaction Services for Business Customers	• <i>PTT Fill & Go</i>: A smart refueling innovation was specifically designed for better control and verification of fueling accuracy at PTT stations. The use of a Radio Frequency Identification (RFID) ring-shaped device can record vehicle refueling without having to make cash or credit card payment, thus enhancing service rapidity, preventing refueling errors and increasing efficiency in business cost control, in a high-security system. • <i>International transaction innovations</i> were introduced to help minimize customers' financial costs and operating time: For example, the "Electronic Domestic Letter of Credit (E-DL/C)" is aimed at enhancing convenience to both buyers and sellers in conducting online transactions related to Domestic L/C; KBank is the first in Thailand to provide this service. The "Same-Day Payment" assures our customers of fund transfers within the same day, otherwise all fees will be returned to the customers. • <i>Escrow Agent</i> is offered to satisfy customer demand in merger and acquisition (M&A) transactions, and to protect interests of contracting parties for infrastructure funds and real estate investment trusts (REITs). • <i>Bond switching</i>: KBank participated as a lead manager of Thailand's first Bond Switching transaction, which also involved the largest transaction volume in Thailand, registering total value of Baht 76,235 million (equivalent to USD2,300 million), aimed at minimizing debt roll-over risk and increasing the liquidity of the destination bonds in the secondary market. • <i>Foreign exchange service for the AEC+3 nations</i> was firstly introduced at KASIKORNTHAI BANK Limited. – a locally incorporated institution in Lao PDR, and is expected to expand to our Chengdu Branch in China.
Securities Service Businesses	• A <i>fund accounting system</i> is offered as an in-house application to help reduce high maintenance costs and to respond to growing and increasingly diverse demand for back-office service, enabling accurate and speedy investment data usage for administration. • A <i>Unit Dealing (UD)</i> system has been installed to facilitate investment unit trading of branches and management of fund registration of the Securities Services Department. The system is aimed at boosting operational efficiency and service quality in accordance with a rising workload from a growing number of funds, asset value and transaction volume. • <i>Mutual fund supervisor service</i> has been prepared for an infrastructure fund of a large communication network operator, with assets of over Baht 50 billion. Currently, total asset value of mutual funds under KBank supervision stands at Baht 1.4 trillion, garnering a 38-percent share of the market and making KBank the top mutual fund supervisor. In addition, KBank performs custodial services for provident funds of various large state enterprises and insurance firms, as well as for private funds newly established during 2014, thereby promoting a combined asset value of provident and private funds under our management to reach over Baht 700 billion.
Card-Accepting Merchant Services	• <i>Merchant Report Server</i> program was developed for our card-accepting merchant customers to access sales reports and tax invoices via a website in order to provide greater convenience and satisfaction to our clients while also solving the problem of lost documents or emails. • <i>Enhancement of K-PowerP@y (mPOS) to accommodate Multi-Merchant reporting</i> which enables merchants to process several card-accepting transactions on a single EDC device and also to accept installment payment under the Smart Pay program.

Products and Services	Details
Debit and ATM Cards	• <i>Debit cards for customers with specific lifestyle were issued.</i> Examples include Hello Kitty Debit Card, Ducati Debit Card, Robinson-KBank Debit Card, Thailand Football Club Debit Card and other co-branded cards issued with various universities and colleges. With full functional benefits, these cards can be used at ATMs, merchants, both physical and online, while also offering numerous privileges to match cardholders' daily lifestyles including travel abroad. • <i>Joyful Festival with 3 Cha CARNIWOW</i> campaign was staged, aimed at acquiring new customers in other provinces and promoting greater use of KBank as their main bank through the distribution of concert tickets to those opening a KBank savings account and applying for K-Debit Card at 49 provinces where the concert was held.
Funds Transfer and Bill Payments	• <i>K-ATM to 7-Eleven</i> was offered as an added funds transfer channel to our customers for a full coverage nationwide wherein recipients are not required to have a KBank deposit account. • The “<i>Come Pay Your Bill Quickly: Doraemon Magic Gift 2014</i>” program was extended to promote bill payment transactions via all KBank channels including bill payments to more than 200 companies, free of charge. Public relations activities for funds transfer and bill payment were also conducted throughout the year.
Others	• <i>Promotional campaigns for Transaction Alert service</i> which notifies customers of every account movement were staged to highlight the special annual fee payment plan and an easily accessed channel for service application, thus strengthening customer awareness towards the benefits and security of the service.

▪ **Saving & Investing**

Products and Services	Details
New Mutual Funds	• <i>New mutual funds:</i> KBank joined hands with KAsset offering 187 mutual funds in 2014, comprising: 1) fixed-income funds at home and abroad offered in diverse periods; 2) Retirement Mutual Funds (RMFs) investing abroad including K European Equity RMF (KEURMF) and K Japanese Equity RMF (KJPRMF); and 3) a variety of foreign funds (FIF) e.g., K Global Property Equity Fund (K-GPROP) and K Global Healthcare Equity Fund (K-GHEALTH). • <i>The program of the first step to making investments with K-MONEY for only Baht 500 – “An easy start with a smile everyday”</i> was launched with initial minimum investment of only Baht 500, down from previous requirement of Baht 5,000. The program aimed at easier customer access to investment. Meanwhile, we also acquired new LTF and RMF customers by reducing minimum investment required to only Baht 500 along with cash back promotion throughout 2014.
Deposits	• <i>Savings products were tailored to customers of different ages and lifestyles, e.g., high-interest fixed-term deposits for our High Net Worth Individual and Affluent customers.</i> Other products offered were “Super Taweessup” deposit, focusing on monthly savings plus waiver of tax on interest for Middle Income customers and “Super Senior” fixed-term deposit aimed mainly at retirees at the age of 55 or older.

▪ **Funding & Borrowing**

Products and Services	Details
New Loan Products	• <i>The K-Energy Saving Guarantee Program</i> has been formulated to support a policy to promote the use of renewable energy, under which solar rooftop projects are entitled to 100-percent project financing, with up to a 12-year tenor. The program is intended to assist operators who choose to invest in such a system for business use, adding to their competitiveness and providing an opportunity to sell the electricity to the state. KBank also provides consultation and comprehensive project management by experts to ensure successful electricity generation and impressive returns.
Loan Products for SMEs	• <i>K-SME Business Loans (for existing customers)</i> comprise the additional loans for KBank's first-rate customers program, wherein customers can request additional limits for business expansion without fresh collateral; the loans for long-term SME customers program through which selected customers are granted

Products and Services	Details
	extra credit limits with special terms and conditions; and the K-SME full support program for business partners which offers special privileges for customers who recommend their partners to employ KBank's account services (privileges include loan interest discount for existing customers and transaction fee exemption for partners). • <i>Loans for existing and new SME customers</i> consist of K-Home Loan for SMEs, which allows customers in need of a long-term loan to use their residences, both land/buildings, as collateral. In addition, there is a loan program for SME operators with limited collateral, e.g. getting O/D with life insurance policy for customers who submit their endowment life insurance policy as collateral, and loans for customers whose collateral is guaranteed by the Thai Credit Guarantee Corporation (TCG); customers can use restrictive title deeds of over one year and/or establishments on land with a Por Bor Tor 5 form (land tax payment document) as collateral. • <i>K-SME Business Solutions (for existing and new customers)</i> include K-SME Software Developer Credit, which is a joint program between KBank and the Software Industry Promotion Agency, launched to support businesses in the software industry; and K-SME Hotel Credit, for hotel operators, offering a generous credit line and extended repayment period. • <i>Assistance measures for (existing) SME customers:</i> SME customers affected by political strife were offered assistance measures including an interest rate cut and grace period for principal repayment. SME customers of the Thai Credit Guarantee Corporation (TCG) that were hurt by political demonstrations and earthquakes in the North were allowed a grace period for TCG guarantee fees and a waiver of the first-year guarantee fees under the TCG program.
Home Loans	• <i>K-Home Loan for Fire Insurance</i> offers long-term insurance policy with average cheaper annual premium that can be added to home loan with no increase in monthly payments. In cooperation with the Secondary Mortgage Corporation (SMC), we launched K-Home Loan with Special Interest Rate program, as part of our effort to continuously promote the development of secondary home loan market. • <i>Marketing activities were held via online media to promote "K-Home Loan – Click "Like" to win a Benz!"</i> to highlight our leadership in the digital home loan service. "E-Newsletter by K Home Smiles Club" has also been offered online on a monthly basis to our K-Home Loan customers and K Home Smiles Club members. • <i>Marketing activities were organized jointly with KBank alliances</i> including property developers and stores in Bangkok and other provinces to offer multiple privileges, including special interest rates to our K-Home Loan customers and K Home Smiles Club Credit Cardholders per the established conditions. We also took part in various exhibitions held across the country.
Credit Card Loans	• <i>K-Wave Credit Card was further developed</i>, for enhanced convenience to our customers, into 1) K-Wave NFC Sticker Credit Card, featuring a novel sticker card – the first of its kind in Thailand - that can be affixed to a mobile phone or other portable devices; and 2) K-Wave McDonald's Credit Card. In collaboration with our business alliances, we also offered co-branded credit cards, namely Muang Thai Smile Credit Card and KBank-Thai Chamber of Commerce Credit Card. • <i>The 2014 mega-campaign, "Fly Exclusive Flight with K-Credit Card"</i> was launched to spur card spending. The program features domestic and international flights arranged exclusively for our cardholders every week throughout the year, with airfares that can be paid with KBank Reward Points plus cash in amounts per the established condition. Other notable efforts included promotional campaigns for co-branded credit cards and K-Wave Credit Card, as well as marketing campaigns to increase daily spending.
Personal loans	• <i>For the Robinson-KBank Express Cash Card</i> – the first cash card that is a co-branded product, applications can be made via Robinson branches across the country. This move is consistent with KBank's strategy to increase our presence in provincial markets.

Products and Services	Details
	“LINE Gifts for the Whole Gangs! With K-Express Cash” campaign was aimed to boost liquidity of our customers for their necessary spending. Customers persuading their friends within a LINE group to apply as a single group for the card, together with Auto Payment, were entitled to complimentary gifts per the number of approved customers.
Retail Loans (including Home Loans, Credit Card Loans and Personal Loans)	- Assistance measures for retail customers affected by the earthquake, and those under the rice mortgage scheme or plagued by household debt problem, were launched. Qualified borrowers for home loans, credit card loans and personal loans were entitled to reduction of monthly installments, installment payment of interest and/or lower interest rates. - A new K-Express Credit Center was opened at The Walk Ratchaphruek. With a fast turnaround time, four main types of retail loans are available. Other offers include financial advisory services and credit planning assistance. - Campaigns to promote financial disciplines among our K-Credit Card and K-Express Cash Card customers were introduced, i.e., 1) “Free Off Your Debt” program wherein K-Express Cash Cardholders who pay higher than the minimum amount required were eligible for gifts; and 2) “Debt-Free Week of the Year” campaign wherein K-Credit Cardholders paying their debt during December 26-31, 2014, were entitled to extra reward points.

■ **Protection & Information**

Products and Services	Details
Bancassurance	- Insurance products were introduced to strengthen ties with our customers. To this end, Pro Saving 510 was developed for the Middle Income segment. In addition, Car Protect 1 “Easy Buy-Easy Claim” – a motor insurance was launched in collaboration with Muang Thai Insurance PCL. and is considered the first product ever to offer compensation during repair. Other notable product is “Travel Protection” – an international travel insurance policy – introduced in a box form which ensures a faster process for receiving a certificate of insurance to be used for visa application. - K-ATM was added as a sales channel for PA insurance products of which the target group is those seeking to apply for micro insurance that requires low premium payment.

Sales and Service Channels

To raise up our capacity in reaching customers and delivering excellent services to them, KASIKORNBANK has committed to developing patterns and efficiency of our core channels. In 2014, new and fascinating services were added for the respective channels, as follows:

Branches and Financial Service Offices/Centers

	Number of Locations		Key Implementation in 2014
	2014	2013	
Branch Network	1,124	965	- A special branch platform, “Thematic Lifestyle Branch” was opened at two locations, i.e., a branch in Nan province under the “Come have all the fun at Pua by KBank” concept, and the Central Embassy Branch with “THE WISDOM Lounge@” as a unique reception room for our Affluent customers, along with Thailand’s first “Robot Safe Deposit Box”. “K-Med Club by THE WISDOM” was arranged as an exclusive reception area especially offered for medical personnel in hospitals and equipped with KBank’s investment advisory experts. Such facility was opened at Siriraj Hospital and Maharaj Nakorn Chiang Mai Hospital. - Being different and underscoring our role as the best financial advisor, we teamed up with K Companies and business partners to create a live comedy “Meet the Expert:

	Number of Locations		Key Implementation in 2014
	2014	2013	
			Wanna Be Rich?" which offered knowledge about finance and investment for interested customers in five economic locales nationwide. Other marked developments include our introduction of the latest innovation "K-Expert MyPort" which gathers all of a customer's investment information and displays it on a single page, making asset management much easier. Another service made available was "K-Expert Insurance Solution", an assistance tool that helps customers to understand diverse insurance types and suggests the most appropriate insurance policy. Financial consultancy is offered by K-Expert teams via alternative channels 24 hours a day.
Foreign Exchange Booths	163	135	• <i>Expanding our foreign exchange service:</i> KBank's 21 exchange booths were opened on October 15, 2014, at Suvarnabhumi Airport. • <i>Our foreign exchange service, "Use Your Card for Foreign Exchange"</i> was promoted as KBank's additional FX service, whereby K-Credit/Debit cards can be used to purchase foreign currencies at branches and exchange booths throughout the Bangkok Metropolitan area. Foreign currency pre-booking can be done via our K-Contact Center and www.kasikornbank.com/CurrencyBooking. • <i>Promotional events:</i> To boost foreigners' transactions, leaflets in English and Chinese were available at service points to promote foreign exchange service at KBank's foreign exchange booths, and gifts were offered for foreigners using international cards at K-ATMS, per stipulated conditions.
Corporate Business Center	8	8	• A greater focus was placed on marketing strategies for the ASEAN Economic Community (AEC). Reduction in the number of centers was a result of consolidation of some centers.
SME Business Center*	120	145	
International Trade Service Center	62	63	
Cheque Direct Service	33	34	

Note: * Excluding International Trade Service Centers. More than one SME Business Center may be located in a single branch.

Electronic Banking Services

	Number of Units		Key Implementations in 2014
	2014	2013	
K-ATMs	9,853	8,740	• Enhancement of K-My ATM service functions: Improvement was made for speedier use and facilitating foreign customer service, with screen themes, Save Favorite Transaction function and eight languages available for customer selection. • <i>"Lucky ATM Slips: Weekly Gold Drawings and Monthly SWIFT Giveaway"</i> promotional campaign: It was conducted to boost transactions at K-ATMs and K-CDMs. Holders of cards issued by KBank's partners, namely Aeon Your Cash and Ume+, who used their cards for cash withdrawals at KBank machines, were also given the right to participate in the campaign.
K-CDMs (Cash Deposit Machines)	2,775	2,195	
K-PUMs (Passbook Update Machines)	1,308	1,118	• <i>Additional and relocation of K-PUMs:</i> New K-PUMs were installed, while some of them were relocated to more suitable locations for customer convenience and accessibility.

	Key Implementations in 2014
K-Cyber Banking	• <i>Services for K-Cyber Invest</i> customers were improved, enabling KAsset mutual fund customers to subscribe for an IPO of "K Enhanced Foreign Fixed Income Fund" by switching from their existing KAsset investment units, in compliance with the established terms and conditions.

	Key Implementations in 2014
	• <i>Service was enhanced with more convenience offered to K-Credit Card customers</i> who wish to sign up for K-Cyber Banking via www.kasikornbank.com, wherein customers can also verify their card spending anywhere, anytime. • <i>Promotional campaigns were offered</i>, including the “Click to Satisfy Your Appetite” and “Feel refreshed with K-Cyber Banking! Get free an iced drink” privileges from business partners to expand customer base and boost transactions for the entire year. Furthermore, every K-Cyber Banking customer gets free weekly e-Magazine that fits their lifestyle.
K-Mobile Banking	K-Speed Top Up • <i>Promotional campaigns were continually carried out</i>, including “Best Value – Get Baht 750 Additional Airtime” and other campaigns, being incorporated to boost top-up transactions among new customers of K-Speed Top Up and K-MOBILE BANKING PLUS for the stipulated mobile service networks and periods. K-MOBILE BANKING PLUS • <i>KBank is the first bank in Thailand, being certified of “ISO/IEC 27001:2013” standard</i> by United Kingdom Accreditation Service (UKAS) for our IT security management of three main services, including K-MOBILE BANKING PLUS, K-Cyber Banking and K-Payment Gateway. • <i>Enhancement of the system to boost service efficiency</i>: Upgrading has been done for both iOS and Android operating systems to be able to operate via Wi-Fi, while still maintaining the highest security in the market. On the main page, a shortcut menu has been added to expedite transactions, as well as increasing the speed of QR code/bar code scan – a crucial step for money transfers and bill payments. • <i>The promotional activity “Click to Satisfy Your Appetite” with K-Cyber Banking and K-MOBILE BANKING PLUS</i> was offered, in order to expand the customer base through increasing applications and first-time use. Other campaigns provided include the “Apply for services and get free an iced drink” privilege from business partner, and privileges under promotional campaigns in accordance with customer demand.
K-Payment Gateway	• <i>Essential work has been done to provide American Express (AMEX) card acceptance service</i>. KBank became the first bank in Thailand to offer enhanced convenience for AMEX holders in their online shopping at home and abroad. This reinforced KBank’s leadership in credit/debit card payment service via e-commerce channels for all types of cards, including VISA, MasterCard, JBC and UnionPay. • <i>Business partnership was enhanced</i> by offering duty free shopping on the www.kingpower.com website through K-Payment Gateway and UnionPay credit card spending for convenience of fast-growing Chinese customers. • <i>Enhancement has been carried out to ensure that our system matches international standard</i>, particularly the Payment Card Industry Data Security Standard (PCI DSS). The K-Payment Gateway Direct Debit system has been installed to facilitate payments made by KBank account debit via the websites of online stores. In addition, marketing campaigns jointly organized with stores that use the K-Payment Gateway service were aimed at amplifying K-Credit and Debit Card usage for payment of goods and services.

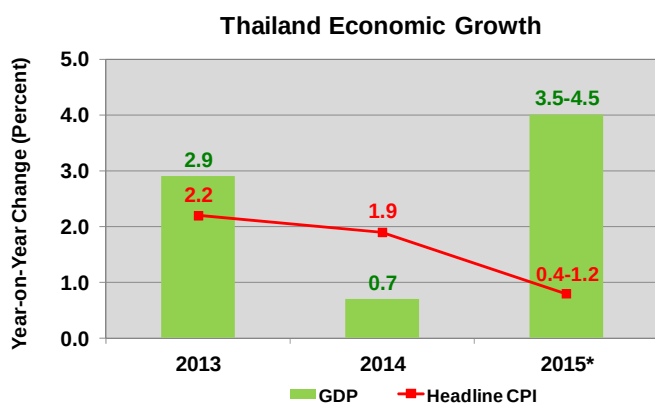
K-Contact Center

	Key Implementations in 2014
K-Contact Center	• <i>Service channel extension via two channels</i>: A video call service channel, “K-Expert Connect”, allows customers to contact our call center staff through our pre-arranged facilities – including a private room with a computer – available at two pilot branches. Moreover, a “Contact Us” menu was created on K-MOBILE BANKING PLUS to make it fast and easy for customers to reach KBank. By clicking the desired services, including card/account stoppage and K-Expert, customer lines will be automatically connected to the selected services. • <i>Enhancement of K-Contact Center and interactive voice response (IVR) systems</i>: Major improvements include “Courtesy Call Back” that enables customers of THE WISDOM and Private Banking services to choose a call-back service when KBank staff members are unavailable for service within three minutes. In addition, the system will connect customer lines to desired service destinations consistent with their respective customer segment, thereby enabling our staff to offer K-Contact Center service that matches customers’ needs and expectations.

Overview of Economy, Banking Industry and Regulatory Changes

❑ Thailand's Economy in 2014 and Outlook for 2015

The Thai economy expanded 0.7 percent in 2014, versus the 2.9-percent growth in 2013. Although political tension subsided and the country's administrative direction became clearer in the second half of 2014 which benefited domestic spending sentiment, slow recoveries in exports and tourism, coupled with laggard disbursements of the government's investment budget, allowed the Thai economy to improve only at a modest pace. As for domestic inflation, oil prices falling to an over five-year low contributed to lower average inflation at 1.9 percent, versus the 2.2-percent rate in 2013.



As for 2015, Thai economic growth may accelerate to 4.0 percent, or range between 3.5-4.5 percent, on two substantial factors. First, exports will recover and then serve as a major driver, as they are expected to benefit from comparison to a low 2014 base and better economic performance of major trade partners, e.g., the US and other Asian nations, which may partially offset the impact of terminated EU GSP benefits. Second, government spending and investment need to see continued progress, which will support private consumption and investment going forward.

But many challenges remain. There is a need to accelerate government budgetary disbursements and investments to meet goals, while economic slowdowns in China, Japan and oil exporting countries distressed by tumbling oil prices may well affect Thai exports normally sent there, as well as our tourism sector. Meanwhile, shifts in the policy stances of major central banks could add more volatility to capital movements and foreign exchange rates. Although Thailand, as a net oil importer, could benefit from such lower oil prices, definitive results can only be assessed after the pass-on effects reach the consumer. Also, high household debt and weak agricultural prices could limit spending power within farming households that account for one-third of all Thai income earners.

As Thailand's economic recovery is only just beginning and energy prices could continue their sluggish movements, inflationary pressure is expected to remain low between 0.4-1.2 percent throughout 2015. As such, the Bank of Thailand (BOT) still has room to retain their accommodative monetary policy stance until signs of recovery become more pronounced and sustainable.

❑ Banking Industry and Competition

During 2014, Thai commercial banks continued to achieve good net profit, albeit lower year-on-year in line with the economic activity. This satisfactory outcome was attained by banks' management of their funding costs to maintain net interest margins (NIM) at levels close to 2013. Thus, net interest income continued to rise, while loan loss reserves decreased after large special provisioning had been set aside in 2013. Non-interest income showed slower growth, due partly to comparison with a high 2013 base on realization of special investment earnings as a one-time event. However, net fee income posted an over-year rise.

With regard to income growth, net interest income exhibited lower growth that was consistent with loan growth. By the end of 2014, net loans at 14 Thai commercial banks had risen 4.2 percent, versus 10.5 percent at the 2013 yearend. On the deposit side, all commercial banks actively sought to attract deposits to support their funding requirements and maintain balanced liquidity positions. This situation caused deposit growth to weaken to 6.5 percent in 2014, from 9.8 percent in 2013. Nevertheless, higher deposit growth than loans resulted in a slight fall in the ratio of loans to deposits versus 2013.

Given a more pronounced economic recovery in 2015, along with intense competition in the industry, the core businesses of commercial banks, with respect to loans and fee income, are expected to rise at a more rapid rate than during 2014. At the same time, commercial banks may have to pursue strategies that can cope with significant structural changes involving demand for financial services that has evolved over time with technological advancements, as well as borderless online societies, urbanization and greater business connectivity within the ASEAN region by virtue of the AEC and AEC+3 frameworks. Loan growth is hoped to rise on commercial lending amid recovering investment and international trade. Credit policy for some household segments and some products could continue to be cautious, amid high household debt.

Nevertheless, many risk factors are present in 2015 that could adversely impact commercial banks' business expansion. In addition to risks associated with the economic recovery, consideration should be given to enforcement of the Act Amending the Civil and Commercial Code (No. 20), B.E. 2557 (2014), aimed at increasing protection of and ensuring fairness to guarantors and mortgagors that could lead to changes in commercial banks' credit policies and processes. Other factors to monitor include a downtrend in commodity prices that may affect demand for drawdowns of working capital loans. With regard to deposits, competition may remain strong because all banks must strive to retain their market shares amid ongoing launches of other savings and investment products, e.g., mutual funds and fund mobilization via private debentures and government bonds. A watchful eye will also be needed towards possible impacts of the US Federal Funds rate normalization this year vis-à-vis capital movements and liquidity in the financial system.

As of December 31, 2014, the entire Thai commercial banking system consists of 17 domestically-registered commercial banks and 13 foreign bank branches holding assets, deposits and net loans as follow:

(Unit : Million Baht)

Banks	Assets	Market Share (%)	Deposits	Market Share (%)	Net Loans	Market Share (%)
Krung Thai Bank	2,727,150	16.28	2,152,553	18.41	1,832,164	16.96
Bangkok Bank	2,647,910	15.81	1,992,588	17.04	1,640,896	15.19
Siam Commercial Bank	2,522,810	15.06	1,890,388	16.17	1,711,327	15.84
KASIKORNBANK	2,136,638	12.76	1,632,227	13.96	1,460,424	13.52
Bank of Ayudhya	1,128,898	6.74	843,748	7.22	869,829	8.05
Thanachart Bank	967,216	5.78	699,735	5.98	694,183	6.42
TMB Bank	809,551	4.83	571,720	4.89	501,983	4.65
UOB (Thai)	397,843	2.38	268,683	2.30	258,221	2.39
Tisco Bank	305,886	1.83	206,391	1.76	251,661	2.33
CIMB Thai Bank	273,446	1.63	184,106	1.57	182,655	1.69
Kiatnakin Bank	227,361	1.36	132,422	1.13	177,178	1.64
Standard Chartered Bank (Thai)	225,181	1.34	99,908	0.85	94,879	0.88
Land and Houses Bank	164,818	0.98	123,662	1.06	113,944	1.05

Banks	Assets	Market Share (%)	Deposits	Market Share (%)	Net Loans	Market Share (%)
ICBC (Thai)	157,190	0.94	90,029	0.77	102,553	0.95
Bank of China (Thai)	55,775	0.33	9,005	0.08	30,618	0.28
Thai Credit Retail Bank	28,257	0.17	24,152	0.21	22,207	0.21
Mega International Commercial Bank	18,773	0.11	8,787	0.08	16,205	0.15
Commercial banks registered in Thailand	14,794,702	88.34	10,930,105	93.47	9,960,928	92.19
Foreign bank branches	1,951,849	11.66	763,555	6.53	844,172	7.81
Commercial banking system	16,746,552	100.00	11,693,660	100.00	10,805,100	100.00

Source: C.B. 1.1 and C.B. 1.2

❑ Regulatory Changes¹

Significant regulatory changes that may have affected KBank and K Companies' business operations during 2014 included:

- **Act Amending the Civil and Commercial Code (No. 20) B.E. 2557 (2014)**

An act amending the Civil and Commercial Code ("CCC") (No. 20) B.E. 2557 (2014), published in the Government Gazette on November 13, 2014, to become effective February 11, 2015, is aimed at increasing protection of and ensuring fairness to guarantors and mortgagors. Notable points on the amendments to the CCC relating to suretyship (otherwise known as guarantee) and mortgage include:

- To provide protection to guarantors/mortgagors per their legitimate rights within a clearly-defined scope, i.e.,
 - Guarantors shall not be held liable as co-borrowers.
 - Mortgagors who submit their assets as collateral on third party debt shall not have monetary liability in excess of the mortgaged asset value upon the enforcement of the mortgage, and mortgagors shall not act as guarantors.
 - All relevant details to such guarantee (including the objective, nature of debt, maximum guarantee amount, and term of guarantee) shall be specified in the guarantee/mortgage contract.
 - Guarantors shall have the right to terminate the guarantee upon future liabilities arising from the use of working capital credit line.
 - If fixed-term debt installment payments are rescheduled, consent must be given by the guarantors/mortgagors; prior consent is inadmissible.
- To provide guarantors/mortgagors with early notifications of liabilities, i.e. –
 - If creditors agree to reduce the debt in favor of the borrowers, the guarantors/mortgagors shall not be held liable for any part of the debt that has been reduced.
 - If borrowers are in default of payment obligations, the creditors must notify the guarantors about the default within 60 days; whereby the guarantors may be held liable for all debts, or shall exercise their rights to make debt repayment in accordance with the conditions that the debtors were bound with the creditors prior to the payment default.

¹ Details related to other regulatory changes on KBank business operations during 2014 can be found in the Management Discussion and Analysis (MD&A) reports for the quarters ending March 31, 2014, June 30, 2014 and September 30, 2014

2.3 If there is a foreclosure, the creditors must notify the mortgagors (who are not the borrowers) within 15 days of the date when the creditors seek debt repayment from the borrowers.

2.4 If borrowers are in default of payment obligations, the mortgagors shall have the right to notify the creditors to undertake sales of the collateral assets by public auction without having to file a lawsuit.

The creditors must then undertake sales by public auction within a year.

KBank has prepared for the aforementioned regulatory changes by mapping out new guidelines for presenting credit proposals and credit underwriting, plus reviews of guarantee/mortgage contracts and other related legal documents, along with upgrades in our credit data system to accommodate the details of assets used as collateral, or for loan drawdowns and debt repayments by borrowers. In addition, we have improved our guarantor/mortgagor database to allow prompter issuance of relevant letters. We have also set out new credit review guidelines to manage borrower risks, as well as having established new procedures related to changes in credit conditions and sales by public auction (not through the courts), as well as having undertaken assessments of the impacts of incremental expenditures so that we are in full compliance with the law.

- **Guidelines for Contacting and Providing Services to Customers of Securities Companies and Derivatives Intermediaries**

The Office of the Securities and Exchange Commission (SEC) issued a notification No. *SorThor*. 35/2557, Re: Guidelines on Contacting and Providing Services to Customers of Securities Companies and Derivatives Intermediaries, dated November 10, 2014, which became effective on January 1, 2015. The SEC notification establishes guidelines on contacting customers and providing securities and/or derivatives services to them, where caution should be taken so that the offer of service is appropriate to each customer, particularly those over 60 years of age or those with little financial expertise. A customer knowledge questionnaire must be completed before their initial investments into high-risk or complex financial products, e.g., subordinated debentures, structured notes, subordinated instruments that can be counted as regulatory capital, etc.

KBank and K Companies are prepared for compliance with these guidelines.

- **Financial Sector Master Plan Phase II**

Launched in 2010, the BOT's Financial Sector Master Plan (FSMP) Phase II terminated at the end of 2014. Its targets consisted of reducing operating costs within the financial system, promoting competition and enhancing financial infrastructure. Notable actions per FSMP Phase II in 2014 included the granting of financial business licenses to new operators, both Thai and foreign consistent with trade and investment liberalization within ASEAN, and the determination of guidelines towards the addition of new service providers to the public and businesses currently having difficulties to access to commercial banking services.

KBank has been preparing for any future changes to BOT regulations, in particular banking liberalization wherein foreign commercial banks will be offered more extensive opportunities to expand into Thailand's financial service sector. Given this environment, KBank's strategies are to develop our financial products and services based on a good understanding of customer demand, and to benefit from our strength in nationwide service channels.

To date, KBank has signed memoranda of understanding to enhance cooperation and boost banking development between 69 global partner banks in 11 countries, i.e., China, Japan, South Korea, Germany, Italy, Indonesia, Malaysia, the Philippines, Cambodia, Vietnam and Lao PDR. This collaboration is aimed at internationalized service. We are confident that our continued efforts towards developing such strategies and laying a firm foundation for banking business will contribute to our sustained competitiveness versus competitors.

- **International Financial Reporting Standards (IFRS)**

During 2014, the IFRS Conversion Project was still focused on continual management to prepare for compliance with new and revised financial reporting standards, which will become effective on January 1, 2015 onwards. Due to our thorough preparations, no significant impact has been experienced towards our financial positions or the performance of KBank and subsidiaries².

Lending

1. Lending Policy and Targets

KBank's lending policy is designed to create common standards for good credit underwriting practices within KASIKORNBANK FINANCIAL CONGLOMERATE, consistent with the BOT's consolidated supervision policy. Aside from basic credit principles, KBank's policy also set out certain instances that credit staff must be especially cautious about and avoiding, including standards wherein KBank encourages them to practice in order to promote quality credit acquisition.

KBank has also set lending portfolio targets consistent with credit policy, economic outlook and the Bank's risk appetites in various dimensions, e.g., customer segments, product domains, and industrial sectors. For example, KBank has set a credit limit on each industry and determined lending directions for various industries, regarding business volatility and industrial outlook. For the retail sector, KBank has classified this type of customers into sub-segments based on their risk level and return profile. KBank has established different credit underwriting strategies and conditions for each customer segment. The customer segments that carry low risk, but offer high returns, will be the Bank's target for credit acquisition.

KBank has also prepared comprehensive lending reports for updating relevant executives and departments on a monthly basis.

2. Credit Risk Management

KBank's credit risk management places importance on the lending portfolio management to ensure that lending concentration does not exceed the established limits. The credit risk management also involves a close monitoring on customers' industries. Several indicators have been established to track credit quality, covering various dimensions, e.g., customer segments, product domains and industry segments. Last year, no credit concentration in any industries or locations was found to exceed the limits.

Mechanisms for Credit Risk Management:

- Establishing the Credit Policy and Risk Management Subcommittee and the Credit Process Management Subcommittee to ensure that KBank's credit risk management and process remain

² Subsidiaries are aligned with financial reporting standards, details of which are disclosed in the Notes to the Financial Statements.

efficient and consistent with other processes. This will not only allow KBank to deliver good experience to customers, but also create an optimum balance between risk management and efficiency of the credit operation process.

- Regularly updating underwriting guidelines appropriate to customers' risk profile. KBank ensures that the credit policy is suitable for each customer segment. Pre-screening criteria have been designed for all industries. Also each industry is categorized according to its risks identified by KBank. This shall serve as a tool for credit officers to screen the customers more effectively.
- Implementing management mechanisms to handle customers affected by adverse events. Officers involving in portfolio assessment will prepare in-depth analysis of foreseeable adverse events, and undertake stress tests to identify potentially impacted customers. Thus, KBank will be able to manage customers in advance before customers and credit quality become deteriorating.
- Regularly monitoring customers' financial status via early warning signs. KBank also monitors customers' limit usage (reflecting in behavior scores), whereby the responsible relationship managers will contact customers when behavior scores identify deteriorating signs.
- Taking prompt actions in case of detecting overdue payment. For retail customers having high-risk financial histories or are in risky industries, KBank will follow up these customers in the early stage of being default. KBank places high priority on developing tools to track customers' behaviour and debt repayment, and to reduce expenses of the collection process. Recognizing signs of rising household debt, KBank has established a credit risk management protocol to identify the affected customer segments, along with customer screening criteria and debt monitoring process to prevent customers turning default. KBank has introduced a process and program to efficiently assist customers when deteriorating signs in debt servicing are detected.

Credit Approvals

KBank's credit management practices are based on the updated, transparent and standard information. The credit processes and related systems have been designed to suit customer characters. For instance, large corporate businesses often request complex financial products, while medium-sized businesses require relationship managers who have a better understanding of their business and financial risks to provide them with concise business analyses, credit limit structuring, as well as suitable credit products and services. The credit management also develops credit rating tools to quantitatively and qualitatively assess customers' credit risks. This calculated risk parameters will be deployed to determine pricing, and proposed to credit underwriters according to total exposures. The credit risk management also requires continuous monitoring of customers' status

With regard to credit approvals for financial institution customers whose credit transactions are largely related to money and capital markets, KBank deploys the same credit process and approval authority structure as with the large corporate customers

For retail loans, e.g., housing loans, credit card and other consumer loans, as well as loans for small and micro business, KBank has established the credit policy that is suitable for customers with different risk profiles. A credit approval framework has been set up to cope with rising household debt, along with a standard processing system and an

operational system equipped with credit scoring tools, focusing on verification of financial information, e.g., the income and debts of loan applicants. KBank also undertake a simulation employing historical credit data to assess the customers' credit risk with more accuracy, and allow KBank to better respond to customer needs within a short period of time. KBank also emphasizes continually enhancing credit approval process, provided that incurred risks are still under acceptable extent.

Credit Approval Authority

The Board of Directors has approved a credit underwriting authority structure based on the principles of centralized credit underwriting. The credit approval system has been structured consistent with KBank's credit policy framework. Delegation of authority over credit approvals must be appropriate with risk management for each transaction and meet the management efficiency standards of KBank credit procedures. High credit risk transactions require underwriters with higher knowledge, skills and experience than on lower risk transactions.

Liquidity Risk Management

KBank has efficient liquidity risk management to ensure that there are sufficient funds available for any obligations at appropriate costs under either normal or critical conditions. Our liquidity risk management is the responsibility of the Asset and Liability Management Subcommittee (ALCO), which has been tasked with setting liquidity management strategies that ensure our risk position is within limits established by the Risk Management Committee and Board of Directors. The Central Treasury Department is responsible for managing liquid assets in the forms of investments in Baht and foreign currencies, procuring short- and long-term funding to meet needs for cash at Headquarters and branches, as well as providing financial support to subsidiaries within the KASIKORNBANK FINANCIAL CONGLOMERATE. These tasks must be undertaken in the most efficient manner per established business plans. In addition, the Central Treasury Department must maintain liquid assets, accurately and strictly, at a level established by the BOT.

KBank maintains the liquid asset ratio at not lower than 6.00 percent of the total deposits and some kinds of borrowings in accordance with the BOT regulations. As of December 31, 2014, our cash in hand, cash at cash center and available unencumbered assets were at a level required by the BOT.

KBank also focuses on enhancing liquidity risk management so that it is consistent with international practices and BOT requirements. Among those efforts were a focus on correcting the effects of systematic risk and assessments of market viability vis-à-vis financial transactions under critical conditions, to which are issues that the BOT gives priority. Moreover, KBank makes sure that it is ready to comply with new BOT regulations and specified timelines.

Debt Restructuring

In 2014, KBank engaged in debt restructuring contracts with 68,352 borrowers whose debt at book value before restructuring totaled Baht 62,899 million. KBank's and subsidiaries' debt restructuring involved 68,364 borrowers whose debt at book value before restructuring amounted to Baht 62,925 million. Details of debt restructuring that incurred losses are shown below:

(Unit : Million Baht)

Types of Debt Restructuring	The Bank				Consolidated			
	Cases	Outstanding Debt		Losses incurred from Debt Restructuring	Cases	Outstanding Debt		Losses incurred from Debt Restructuring
		Before Restructuring	After Restructuring			Before Restructuring	After Restructuring	
1. Transfers of assets	-	-	-	-	-	-	-	-
2. Changes of repayment conditions	4,986	16,310	16,310	737	4,986	16,310	16,310	737
3. Debt restructuring in various forms	27	3,004	2,467	725	27	3,004	2,467	725
Total	5,013	19,314	18,777	1,462	5,013	19,314	18,777	1,462

KBank has implemented measures to closely monitor debt repayments and servicing of restructured accounts to avoid debt relapse into NPLs. Borrowers who fail to comply with debt restructuring conditions due to unexpected economic conditions or other reasons that deteriorate their debt servicing ability may be considered for adjustments to their repayment conditions consistent with their current debt servicing ability. If any customer is found to have neglected the debt repayment conditions irresponsibly, KBank will take legal action immediately.

KBank also has a policy of filing lawsuits against borrowers who fail to cooperate with KBank in debt recovery. If a verdict is reached and borrowers do not follow such rulings, KBank will proceed with foreclosures on assets, which will subsequently be sold at public auctions to gain proceeds toward debt repayment. If no one takes such property at an appropriate price during the auctions, KBank may acquire the assets to hasten debt repayment, thus enabling us to finalize delinquent accounts expeditiously if the debt is not paid in full in a timely fashion.

If a borrower's outstanding debt increases and/or the collateral value depreciates, leading to a drop in a ratio of collateral to total outstanding debt, borrowers are allowed to use other assets as additional collateral against their debt and/or repay outstanding debt in part or in full to raise the ratio of collateral to total outstanding debt. However, most borrowers are unable to comply with said guidelines, since they have no assets to be used as additional collateral or cannot repay outstanding debt per KBank's requirements. Therefore, the proceeds from foreclosure on collateral assets may not be adequate for repayment of all outstanding debt.

3. Risk Factors

Overall Risk Management

KASIKORNBANK's risk management strategy has been established in line with international guidelines and principles, and applied throughout KASIKORNBANK FINANCIAL CONGLOMERATE (the Conglomerate), to support business growth, ensuring sustainable profitability and maximization of returns to shareholders and investors. We engage in a consolidated risk management framework that emphasizes management of major risks, e.g., credit, market, liquidity, operational, strategic and other risks. We also emphasize thorough, accurate and regular disclosures on risk management and capital to the public.

Key Developments to Strengthen Risk Management

KBank realizes the importance of effective and timely risk management. In 2014, we conducted ongoing development with regard to risk management policies, tools and processes to cope with risk factors associated with rising household debt, domestic political uncertainty and global economic policies. Those efforts included:

- Data from the National Credit Bureau Co., Ltd., has been used to enhance credit risk management vis-à-vis credit limit renewals and monitoring of customers' credit risk.
- Stress test processes and management have been improved to ensure that loss and capital adequacy assessments are incorporated into our planning towards changing economic conditions as well as impacts from other risks. This year, a number of stress tests were undertaken to predict impacts induced by political uncertainties that could lead to more severe turmoil or possible downgrade in sovereign credit ratings.
- Our customer screening policy and systems have been revised to ameliorate changing risks, focusing on growth in customer segments that show financial strength and income potential.
- Our policies and systems to control operations are regularly reviewed to mitigate fraud risk, wherein we have improved internal document inspection guidelines and data verification to accommodate credit underwriting of small businesses and K-Home Loan customers.
- Policies and processes for risk management relating to foreign exchange transaction settlement have been developed to ensure the effectiveness of our risk management system and its ability to cope with any undesirable situation appropriately.
- The Conglomerate's risk framework and management system have been continuously developed in order to enhance business units' capacity to respond to changing customer demand for capital market products.
- Tools have been developed to enhance our control and monitoring over operational risk and fraud in trading rooms, which could incur serious damage, and affect KBank credibility.
- Systems and processes have been continuously developed for higher risk management efficiency in accordance with international standards, such as Basel III, IFRS 13, as well as EMIR and Dodd –Frank, etc.
- Key Risk Indicators (KRIs) have been developed to cover all risk factors, while prudent and efficient processes have also been implemented to maintain an appropriate risk appetite.

Risk Management

Although credit risk is deemed a main risk, KBank's risk management aims to develop all types of risk management, including credit, market, liquidity, operational, strategic, and other risks:

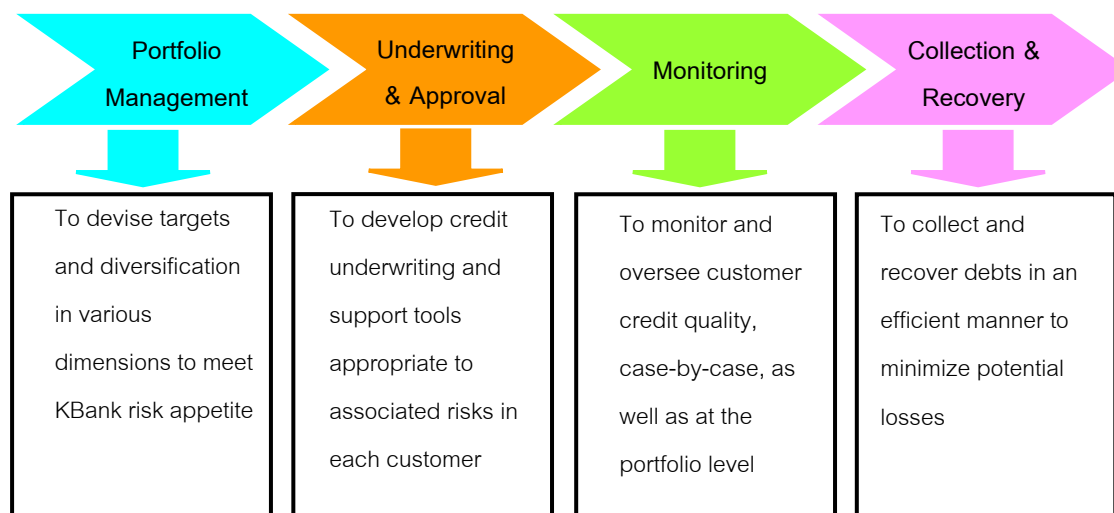
Credit Risk Management

Credit risk refers to risk whereby a counterparty or borrower may default on contractual obligations or agreements, or have an intention to not abide by an agreement, resulting in losses to KBank. We thus place significance on credit risk management compatible with international standards and regulatory requirements to ensure sustainable growth and reasonable returns to shareholders and investors.

In 2014, KBank placed an emphasis on creating a balance between our services and credit risk management within each customer segment. Amid unpredictable political and economic situations at home and abroad, along with concern towards rising household debt, we have put in place more stringent customer screening and criteria. In particular, stricter requirements are set for retail customers that have exhibited a rising risk trend, while we seek customers with stronger financial status and sound debt servicing capabilities. We have also accumulated data based on early warning signs towards customer asset quality to monitor and manage these credit risks in a more efficient manner.

Credit Risk Management Process

A credit risk management process, from portfolio management to debt monitoring, has been determined and developed to appropriately reflect risk factors, as well as enhance our ability to operate our business.



➤ Portfolio Management

In 2014, KBank emphasized an assessment of portfolio changes to identify influential factors and events, particularly economic issues that could affect our customers or our portfolio status. Via stress testing, we ensure timely portfolio management towards any deviation against our planned targets. Meanwhile, we target our loan growth in alignment with prevailing economic conditions to maximize returns from each customer segment portfolio while remaining within an acceptable risk appetite.

➤ **Credit Underwriting and Approval**

In 2014, KBank adjusted our policies towards customer screening, especially for small businesses and retail loan customers with high debts subsequent to economic stimuli, to better conform to changing economic conditions at home and abroad. Meanwhile, we have placed more emphasis upon customers with healthy financial standings, good income and sound debt servicing ability. Meanwhile, KBank's screening criteria and cash flow assessment guidelines for large and medium corporate customers have been revised to factor in all possible economic impacts.

Aside from the above guidelines, we realize the importance of Corporate Social Responsibility practices in our credit underwriting. Guidelines for environmental and social impacts have been established for project finance at home and abroad receiving KBank financial support, while action plans are devised to ensure effective monitoring throughout the credit term.

➤ **Post-Credit Approval Operations**

To achieve standardized and efficient credit operations, KBank has centralized all necessary functions for post-credit approvals, including legal and contract-related matters, preparation of collateral agreements, credit-line setup, credit withdrawals, credit-related document storage and credit data support. Our post-credit approval operations have been made more efficient, focusing on customer credit-use behavior, as well as their business performance, compliance with contractual conditions and monitoring of their debt servicing ability.

➤ **Debt Quality Monitoring**

KBank has developed risk indicators to monitor and control debt quality, as well as credit-use behaviors as early warning signals to prevent deterioration in credit quality. Credit bureau data is used to gauge credit limit renewals and credit quality, thus achieving greater efficiency.

In the matter of debt collections from large business customers, our Corporate Portfolio Monitoring Unit (CPMU) assesses debt quality closely, using established indicators to ensure timely management prior to debt delinquency. For certain customer segments that may have been affected by economic hardships, i.e., falling commodity prices or declining exports, specific management guidelines, such as credit reviews and possible limit suspensions have been used to limit our overall risk.

Regarding SME customers, we have enhanced our debt collection strategy to better respond to varying risk levels of different customer groups. Debts are managed in such a way as to prevent them from becoming NPLs, with a focus on swift and efficient management of debt collection.

➤ **Debt Correction and Restructuring**

Our debt restructuring complies with BOT guidelines, taking into consideration the causes of deteriorating debt servicing ability and the customer's financial status. The objective of debt restructuring is to assist them towards resuming their normal debt servicing, while maximizing benefit to them and KBank. Upon completion of debt restructuring, regular debt quality monitoring is resumed and reported to our Management on a monthly basis.

➤ **Asset Quality Review**

The Risk Asset Review Department has been assigned with the review of KBank credit policy and process efficiency, from credit write-ups to underwriting, as well as contract preparation and credit quality monitoring. The department also contributes to the data provided to our Management towards consideration of enhanced credit management standards.

Credit Risk Position

— Outstanding loans

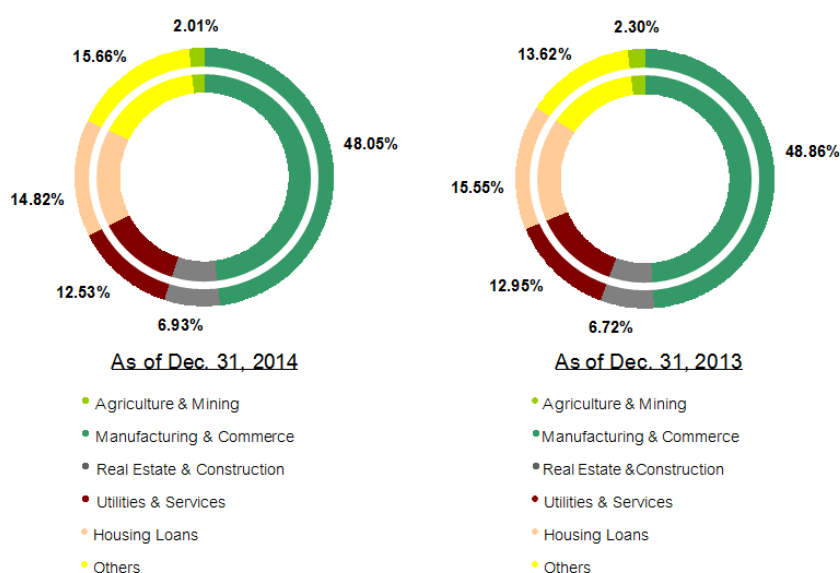
As of December 31, 2014, KBank's consolidated outstanding loans stood at Baht 1,527,080 million, increasing by Baht 88,102 million, or 6.12 percent, compared to Baht 1,438,978 million at the end of 2013.

As of December 31, 2014, 55.97 percent of KBank's outstanding loans were made to registered businesses. Loan accounts exceeding Baht 20 million totaled Baht 831,181 million, equivalent to 55.04 percent of the total. As for maturities, credit with maturities of less than or equal to one year accounted for 46.42 percent of our total loans.

KBank's Lending Portfolio – Profile

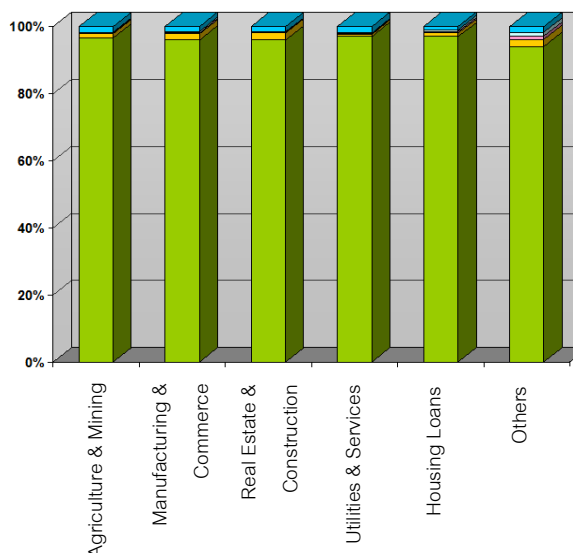
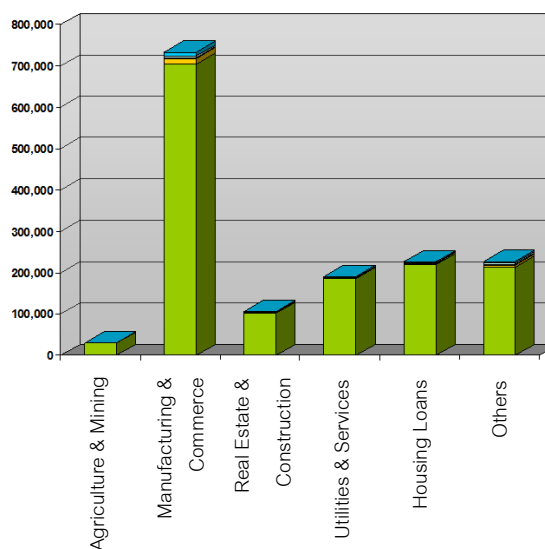


KBank's Consolidated Lending Portfolio



As of December 31, 2014**Consolidated Loans Classified by Type of Business and Loan Classification****Percent of Consolidated Loans Classified by Type of Business and Loan Classification**

Units: Million Baht



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

Within KBank's consolidated lending portfolio, 95.98 percent are classified as "Normal" loans. When subdivided by type of business, Manufacturing & Commerce represent the highest share of total consolidated lending at 48.05 percent; of that, 95.95 percent are classified as "Normal" loans.

— Non-Performing Loans and Debt Restructuring

Non-Performing Loans

As of December 31, 2014, KBank's consolidated NPLs stood at Baht 36,067 million, 2.24 percent of the total outstanding credit, including that of financial institutions. Bank-only NPLs totaled Baht 34,436 million, 2.15 percent of the total outstanding credit, including that of financial institutions, decreasing from the end of 2013. NPL data is shown in the table below:

Non-Performing Loans

(Units: Million Baht)

Year Ending	Dec. 31, 2014	Dec. 31, 2013
Consolidated NPLs	36,067	33,525
Percent of total outstanding credit, including that of financial institutions	2.24	2.11
Bank-only NPLs	34,436	32,031
Percent of total outstanding credit, including that of financial institutions	2.15	2.02

Net Non-Performing Loans

As of December 31, 2014, KBank's consolidated net NPLs stood at Baht 15,494 million – 0.98 percent of the total outstanding credit, including that of financial institutions. Bank-only net NPLs totaled Baht 14,688 million – 0.93 percent of the total outstanding credit, including that of financial institutions. The net NPL data is shown in the table below:

Net Non-Performing Loans

(Units: Million Baht)

Year Ending	Dec. 31, 2014	Dec. 31, 2013
Consolidated net NPLs	15,494	14,664
Percent of total outstanding credit, including that of financial institutions	0.98	0.93
Bank-only net NPLs	14,688	13,996
Percent of total outstanding credit, including that of financial institutions	0.93	0.89

Debt Restructuring

In 2014, KBank's consolidated pre-written off, restructured debts totaled Baht 62,925 million, increasing by Baht 6,370 million when compared to 2013. Losses from debt restructuring stood at Baht 1,462 million, representing 2.32 percent of total restructured debts, which was equivalent to a decrease of Baht 1,040 million, compared to Baht 2,502 million in 2013, or 1.84 percent of total restructured debts.

Foreclosed Properties

As of December 31, 2014, our consolidated foreclosed properties had a book value of Baht 13,350 million, thus being 0.56 percent of total assets.

As of December 31, 2014, our consolidated allowance for impairment on foreclosed properties stood at Baht 1,562 million, equivalent to 11.70 percent of the cost value of those foreclosed properties, which is believed to be sufficient to cover holding, maintenance and disposal expenses, as well as losses on liquidations.

— Allowances for Doubtful Accounts and Impairment of Assets

As of December 31, 2014, KBank's consolidated allowances for doubtful accounts and revaluation allowance for debt restructuring totaled Baht 50,992 million, equivalent to 175.35 percent of the level required by the BOT. In addition, our Coverage Ratio stood at 141.38 percent.

Market Risk Management

Market risk may arise from changes in interest rate, foreign exchange, securities and commodity prices, as well as credit spreads. These changes affect our present and future income, capital, as well as the value of financial assets and liabilities. Essential infrastructures and processes have been developed to appropriately and timely manage market risk in transactions related to derivative products or other new financial instruments. In addition, we have established market risk management processes for new financial products, and improved related processes for existing products.

In 2014, geopolitical tensions in Europe and the Middle East resulted in greater volatility in global financial markets, while different stages of economic conditions among major economies led to monetary policy divergence. Meanwhile, the Organization of the Petroleum Exporting Countries (OPEC)'s maintenance of their oil production level amid the global economic slowdown has caused oil prices to dip to an over five-year low, thereby causing volatile capital

movement that significantly affected money and capital markets. Moreover, domestic political unrest early in the year prompted the BOT to cut their key policy rate in March 2014. This, plus the major political changes at mid-year and market concern towards the Thai economic slowdown on fragility in exports and tourism, has caused volatile Thai Baht and interest rate movements. These factors are expected to put pressure on our economic recovery and create heightened volatility in our financial markets, going forward.

Market Risk in Trading Book Activities

KBank's trading activities are exposed to three types of risk, i.e., interest rate, foreign exchange and equity risks in equity underwriting and trading business, which we undertake only for customer needs. Moreover, KBank has chosen not to retain any position when dealing with commodity prices by managing market risk through back-to-back policy.

During 2014, the VaR for a one-day holding period with a 99-percent confidence level in our trading book, was Baht 41.76 million on average, meaning that the daily potential loss on trading business was less than Baht 41.76 million on 99 out of 100 business days.

Market Risk in Banking Book Activities

KBank is exposed to interest rate and equity price risks in banking book transactions, i.e.:

— Interest Rate Risk in Banking Book Activities

In order to manage our balance sheet for higher net interest income and underlying economic value, KBank has adjusted the balance sheet structure through business units and our investment portfolios, consistent with our liquidity position. Thus, the detail of interest rate risk management has been indicated in order to be used as framework for balance sheet management under pre-specified risk appetite and limit the impact of interest rate changes on our net interest income or underlying economic value.

In addition, KBank prepares an interest rate risk gap report to monitor interest rate risk in banking book activities and assess net interest income sensitivity over the coming 12 months, based on an assumption of a 1.00-percent change in interest rates on all types of assets and liabilities at their re-pricing periods. The results of that risk assessment are shown below:

Net Interest Income Sensitivity to Interest Rate Change

For the Period Ending	(Units: Million Baht)
	Dec. 31, 2014
	+100 bps
THB	358
Foreign Currencies	84
Total Effect of Interest Rate Change	442

— Equity Risk in Banking Book Activities

KBank has no policy to increase equity investments, but plans to reduce the size of such investments that are not directly related to our core financial business operations based on data analyses and close assessments of relevant events to ensure maximum benefit to the Conglomerate.

Liquidity Risk Management

Liquidity risk is defined as a risk caused by an inability to meet obligations when they come due because of an inability to obtain sufficient funds to meet funding needs at appropriate costs within a pre-specified time period, and/or to convert assets into cash.

Liquidity risk is continually analyzed and assessed to ensure adequate liquidity for business operations within an acceptable risk appetite and appropriate management costs. Our efforts include a liquidity gap analysis covering normal and crisis situations in which impact analyses are conducted at three scenario cases, i.e., a bank-specific liquidity crisis, a market-wide liquidity crisis, and a combination liquidity crisis. In addition, KBank applies world-class standard liquidity risk indicators, such as the Liquidity Coverage Ratio (LCR), to our liquidity control and risk management.

KBank has also developed tools to assess and analyze liquidity risk that meet international standards, as well as assisting in the achievement of our business growth. As for liquidity risk management, processes have been reviewed and adjusted for consistency with prevailing economic developments and business expansion. Our funding structure has been appropriately adjusted in response to changing market conditions and liquidity directions in the commercial banking system so that we can be able to cope with volatility in the global economy and/or rapid changes in financial asset prices.

Aside from efficient monitoring over liquidity risk, given situations that have incurred direct and indirect consequential risks, we have also adopted a Business Continuity Plan to guard against disruptions to important operations and systems, allowing us to fulfill our obligations in emergencies.

We also monitor, analyze and manage foreign-currency liquidity risk, while seeking short- and medium-term liquidity to support present and future demand. We consider maintaining a suitable level of foreign-currency denominated liquid assets, consistent with growth in foreign-currency deposits, to thus guard against any heightened liquidity risk stemming from volatility in the global economy.

Factors that are closely monitored towards liquidity and interest rate risks include:

- Global and Thai economic outlooks over the short and medium terms.
- The BOT's timeframe for their key policy rate adjustments.
- Direct and indirect foreign capital movements triggered by business confidence towards consumption and investment.
- Intensified competition between financial institutions towards savings and investment products that may affect overall liquidity in the commercial banking system.
- Increasing demand for loans due to Thai economic recovery, which could pressure liquidity in the system.
- Possible impacts on liquidity due to the Basel III Liquidity Coverage (LCR) and Net Stable Funding Ratio (NSFR) reserve requirements.

Operational Risk Management

Operational risk refers to the risk of direct or indirect losses to a bank's revenue or capital resulting from incorrect or inadequate processes, personnel, operating and/or IT systems or external events. KBank continually develops policies and operational risk frameworks under the supervision of the Operational Risk and Fraud Management Department to enhance our operational risk management as a unified standard, prompting enhancements that allow us to assess risk and proactively seek preventative measures.

During 2014, KBank developed processes, policies and operational procedures to enhance efficiency in operational risk management. Key developments included:

- A Risk and Control Self-Assessment Procedure (RCSA) has been executed for efficient upgrades in our operational risk assessments using a clear and unified standard consistent with prevailing situations and business undertakings.
- Reviews were undertaken to monitor and report on the Key Risk Indicators (KRI), wherein a working group has been set up to screen and review KRI and KRI thresholds. All KRIs have been approved by the Operational Risk Management Subcommittee.
- A Reputational Risk Management Policy has been implemented to cover all stakeholders, responsible units and governance structures.
- A Customer Verification Procedure has been prepared, consisting of guidelines to assess fraud risks in transactions and assure adequate customer authentication levels per established standards. This procedure is aimed at paving the way for guidelines to prevent and detect fraud in authentication, taking into consideration our customers' service experience and risk preventive measures.

Strategic Risk Management

KBank places high importance on "Strategic Risk Management". Our definitive and efficient Strategic Risk Management process begins with systematic data collection and analysis for use in review and determination of appropriate strategies. KBank closely examines the alignment of business plans with strategies and key performance indicators, as well as allocations of resources. As such, these strategic plans are communicated organization-wide, incorporated into clear operational plans and procedures with explicit monitoring approaches. Therefore, KBank efficiently identifies problems and seeks precise resolutions.

With regard to the "Strategic Risk Management" process, it involves examination of risk incurred from inappropriate strategy formulation, as well as in business plans and execution. Inconsistencies with internal factors or the external environment involving revenues, capital or business viability are focused upon in our risk management. KBank Strategic Risk Management consists of two parts:

Part 1 – Strategic Risk Management for Strategic Content is conducted by monitoring changes in key assumptions. Key risk indicators are established and regularly monitored for revision of bank-wide strategies, as well as business units' strategic plans, to ensure their alignment with fast changing environment.

Part 2 – Strategic Risk Management for Strategy Execution consists of:

1. Preparation of important reports, including Balanced Scorecard (BSC) reports, Financial Performance reports and Customer Management reports that are consistent with KBank strategies; we also arrange monthly and quarterly meetings to address and manage specific issues, aiming to seek unified solutions.
2. Regular monitoring of risks and obstacles that may prevent KBank from achieving strategic targets, using established key risk indicators. So doing helps indicate action plans needed for prevention, correction or mitigation of such possible risks.

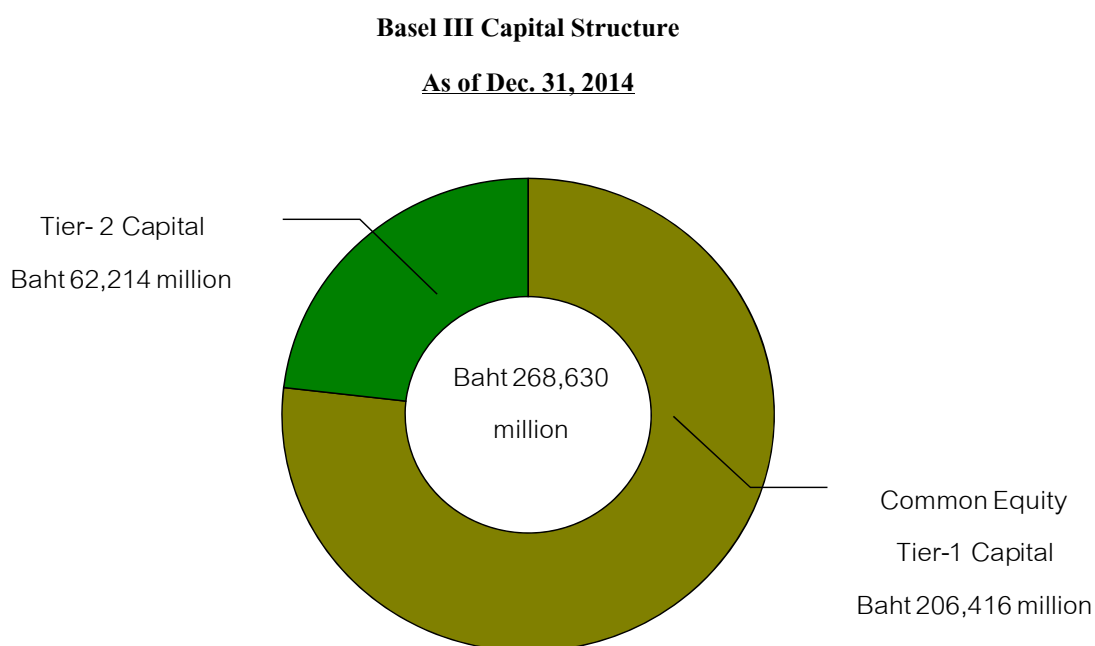
Capital Management

Placing great emphasis on equity capital as a significant funding source for business operations that also reflects the financial strength and credibility of a financial institution, KBank's and the Conglomerate's capital management frameworks are consistent with Basel III requirements. Our capital adequacy assessments, based on the economic outlook, our business plans and official adjustments in their regulatory framework, as well as regularly undertaken stress tests, ensure our capital adequacy for operations under normal and crisis situations.

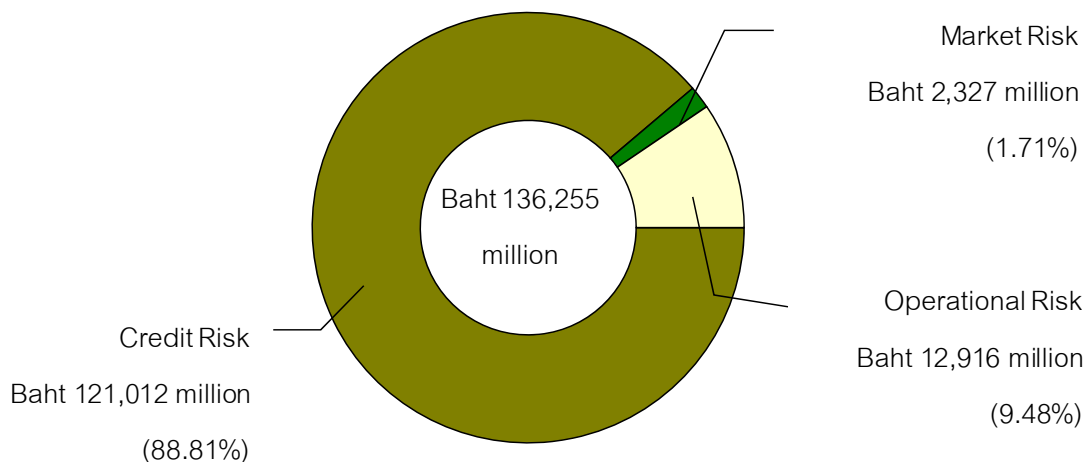
KBank's Capital Management Subcommittee is responsible for planning and overseeing capital adequacy, under the supervision of the Risk Management Committee, which supervises overall risk management to ensure that KBank's risk level is maintained within an acceptable risk appetite.

□ Capital Management

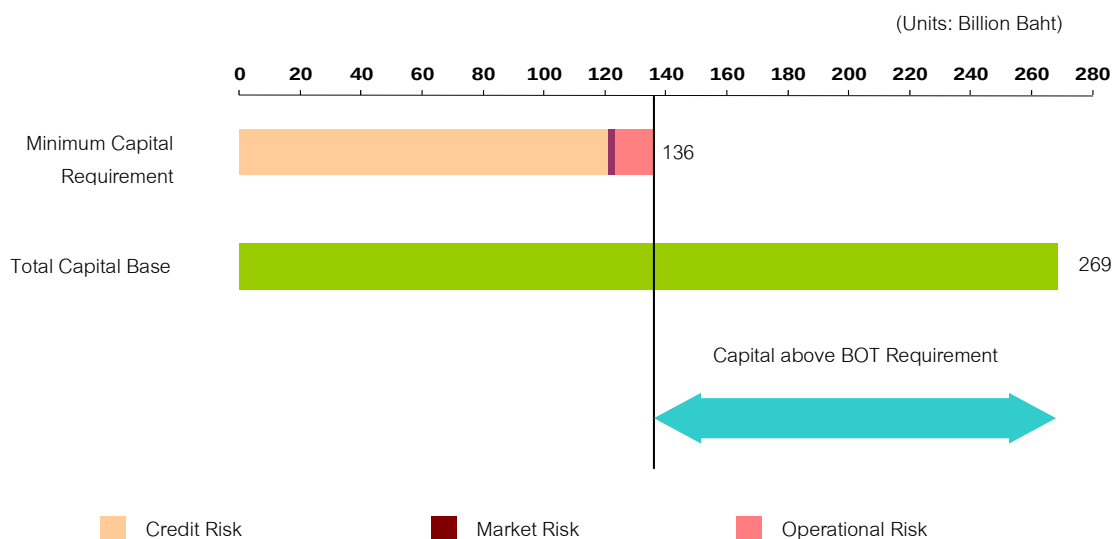
As of December 31, 2014, total capital amounted to Baht 268,630 million, consisting of Tier-1 capital of Baht 206,416 million and Tier-2 capital of Baht 62,214 million.



The minimum capital required for all risk types per Basel III amounted to Baht 136,255 million, equivalent to our risk-weighted asset value of Baht 1,602,998 million. Credit risk constitutes the principal risk to KBank and is thus allotted 88.81 percent of our total minimum capital requirement.

Basel III Minimum Capital Requirements**As of Dec. 31, 2014**

The difference between KBank's minimum capital requirements per the Basel III Accord, totaling Baht 136,255 million, and the current available capital of Baht 268,630 million, indicates that we have Baht 132,375 million above the minimum requirement. This excess over the regulatory requirement is adequate for future business growth under both normal and stressed conditions, reflecting our ability to maximize returns to shareholders.

Capital Adequacy**As of Dec. 31, 2014**

KBank's 16.76-percent Capital Adequacy ratio (CAR), 12.88-percent Tier-1 Capital ratio/ Common Equity Tier-1 Capital ratio, along with the Conglomerate's 17.31-percent CAR and 13.49-percent Tier-1 Capital ratio/Common Equity Tier-1 Capital ratio, remain higher than the BOT minimum requirement of 8.50 percent. Our capital thus remains within the capital management framework of KBank and the Conglomerate.

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

During 2014, we continued to implement Value-Based Management (VBM), which is a management practice that aims to achieve the highest value creation for our shareholders in accordance with our business strategies and goals. In achieving this objective, the Risk-Adjusted Return on Capital (RAROC) and Economic Profit (EP) – showing net profit after adjusting for both the risk charge and cost of capital – have been adopted as key measurements.

We have developed guidelines for performance measurements consistent with various management aspects, including business targeting, strategic and business planning that takes into consideration risk-adjusted returns, risk-based pricing and efficient resource management. In addition, we measure our business performance and analyze value-based profit, along with our “Customer-Centric” strategy to strengthen our competitiveness across the board in customer segments and product domains, paying attention to the linkages between them. Meanwhile, related business units have adopted value-based analyses for their viability assessments on investment projects, allowing them to effectively adjust their business strategies in alignment with fast-changing market conditions and attain the highest efficiency in the use of capital.

Concentration Risk

KBank manages borrower and industry credit concentration risk by establishing limits and ensuring that the limits are adhered to.

Regarding large borrower concentration, loans, investments and contingent liabilities of any single borrower group or project shall not exceed 25 percent of total capital. A combined amount of loans, investments and contingent liabilities of a borrower group with exposures exceeding 10 percent of total capital must not be higher than three times of total capital. As of December 31, 2014, large borrower concentration risk was within the established limits.

The Bank managed industry concentration by taking into consideration of any possible adverse impacts on capital level, as well as industrial trend. As of December 31, 2014, the consolidated lending portfolio comprising of loans to Manufacturing and Commerce, Housing Loans, Utilities and Services, and Real Estate & Construction accounted for 48.05, 14.82, 12.53 and 6.93 percent of total portfolio, respectively. Despite the fact that Manufacturing and Commerce contributed to the largest portion, exposures were diversified across sub-segments which are in line with the bank’s established guideline and the ratio also decreased from previous year.

4. Business Assets

Main Fixed Assets for Business Operations

Premises and equipment

As of 31 December, the Bank and its subsidiaries' premises and equipment which are not used for mortgage and pledge, consist of the following:

(Unit : Million Baht)

TYPE	2014	2013	2012
Land	14,634	13,603	13,554
Building	25,715	24,821	24,415
Equipment	35,218	30,456	27,967
Others	1,047	840	1,284
Total	76,614	69,720	67,220
<u>Less</u> Accumulated depreciation	31,999	28,876	26,649
Impairment allowance	6	6	6
Premises and equipment - net	44,609	40,838	40,565

Long-Term Lease Agreements

1. Operating Lease

The Bank and its subsidiaries have entered into land/building lease agreements for branch offices and vehicle lease agreements. The Bank and its subsidiaries were committed to pay future rentals as of 31 December 2014, 2013 and 2012, which are summarized as follows:

(Unit : Million Baht)

Types of Lease Agreement	Remaining Period	2014
Land/building lease agreements	1 January 2015 – 31 December 2042	1,942
Vehicle lease agreements	1 January 2015 – 30 November 2019	1,277
Others	1 January 2015 – 17 September 2018	53
Total		3,272
Types of Lease Agreement	Remaining Period	2013
Land/building lease agreements	1 January 2014 – 31 December 2042	1,876
Vehicle lease agreements	1 January 2014 – 2 December 2018	950
Others	1 January 2014 – 12 August 2017	44
Total		2,870
Types of Lease Agreement	Remaining Period	2012
Land/building lease agreements	1 January 2013 – 31 December 2042	1,880
Vehicle lease agreements	1 January 2013 – 14 November 2017	141
Others	1 January 2013 – 14 May 2017	51
Total		2,072

2. Service Agreement

The Bank and its subsidiaries entered into an Information Technology Service, under which the service agreement will be provided until 30 September 2019. As of 31 December 2014, 2013 and 2012, the Bank and its subsidiaries were committed to pay total service fees of Baht 3,640 million, Baht 2,524 million and Baht 3,971 million, respectively.

Loans

➤ Asset Classification Policy

As of December 31, 2014, KBank and its wholly-owned subsidiaries had assets classified as investments, loans and accrued interest receivables (including those from financial institutions), foreclosed properties and other assets that were then graded by quality in compliance with BOT regulations, taking into account analyses of each loan and appraisals of each borrower's financial standing:

(Units: Million Baht)

Asset Classifications	Loans and Accrued Interest Receivables	Investments	Foreclosed Properties	Other Assets	Total	%
Pass	1,547,519	-	-	-	1,547,519	96.0%
Special Mention	24,857	-	-	-	24,857	1.5%
Sub-Standard	6,299	-	-	-	6,299	0.4%
Doubtful	8,149	-	-	-	8,149	0.5%
Doubtful of Loss	21,759	721	456	1,831	24,767	1.5%
Total	1,608,583	721	456	1,831	1,611,591	100%

➤ Allowances for Doubtful Accounts

In compliance with BOT regulations, KBank has classified loan portfolio accounts into six categories based on the non-accrual period. Collateral values used for calculation of allowances for doubtful accounts are based on the type of collateral, taking into account analyses of each loan and appraisals of the financial standing of each borrower, based on our experience in risk and collateral assessments.

Allowances for doubtful accounts have been established at:

Pass	Not less than 1 percent of the net outstanding debt
Special Mention	Not less than 2 percent of the net outstanding debt
Sub-Standard	Not less than 100 percent of the net outstanding debt
Doubtful	Not less than 100 percent of the net outstanding debt
Doubtful of Loss	Not less than 100 percent of the net outstanding debt, except where litigation or debt restructuring has not begun; allowances for doubtful accounts are based on the non-accrual period per BOT regulations.
Loss	Written-off

Remarks: 1) Outstanding debts mean principal and accrued interest.
2) Net outstanding debts mean outstanding debts less collateral.

➤ Impairment of assets

An impairment of assets is recognized in conformity with Thai Financial Reporting Standard considering from indication of impairment and the estimated recoverable amounts.

➤ Recognition of Income

Interest and discount income on loans are recognized on an accrual basis, except when interest payments are in arrears for more than three months, regardless of collateral, the cash basis is adopted. Income on hire purchase account is recognized according to the total amount to be paid. In compliance with BOT regulations, KBank reverses accrued interest receivables on loans for which repayments are more than three months in arrears.

The asset management subsidiary recognizes interest income on investments in receivables and loans on a cash basis. The long-term lease income of subsidiaries is recognized as:

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

➤ Non-Accrual Loans

In compliance with BOT regulations, KBank records non-accrual loans when payments of principal and/or interest are in arrears for over three months (from the due date), or upon the due date of interest or full amount of principal, or upon which a payment request is made, whichever comes first, regardless of the collateral. On overdraft (O/D) loans, non-accrual loans are recorded when no principal or interest payment is made for over three months from the date the O/D limit is cancelled, or the date the amount of debt exceeds the O/D limit or the due date, whichever comes first.

➤ Non-Performing Loans (NPL)

According to the BOT directive SorNorSor. 13/2553, dated December 3, 2010, Re: Preparation and Announcement of Condensed Report of Assets and Liabilities of Commercial Banks”, non-performing loans (NPL gross) are defined as sub-standard quality loans, being outstanding loans of sub-standard, doubtful, doubtful of loss or loss loan accounts in accordance with BOT directive SorNorSor. 31/2551, dated August 3, 2008, Re: Classification and Provision Criteria of Financial Institution”.

Investments in Securities**➤ Investment Policy**

KBank’s securities investments are made in debt and equity instruments. KBank’s debt instrument portfolio is subject to specific objectives, i.e., those held-for-trading, available-for-sale or held-to-maturity, taking into account KBank liquidity, securities liquidity and returns on investment versus their risks. On equity instruments, KBank has a policy of not increasing stock investments in suitable period of time, and aims to reduce such holdings that are not directly related to KBank’s core businesses, wherein we employ data analyses and assessment of prevailing conditions to gain optimum benefits to the Bank.

➤ **Investment Risk Management**

For the purpose of diversification of risk, KBank invests in both debt and equity instruments per regulations of relevant public agencies and the Bank's internal procedures, as well as being closely supervised by related departments and the Integrated Risk Management and Analytics Department. To this end, systems for monitoring risk limits, investment scope and holding period, plus clearly defined investment objectives, have been established, taking into consideration asset liquidity, risks, returns, inflows and outflows to ensure that the available liquidity is matched with demand to fund KBank transactions.

KBank focuses on Thai government bonds given the volatile economic environment and policy rate trends.

KASIKORNBANK's Investments in Subsidiary and Associated Companies

❑ **Subsidiary and Associated Companies**

The definitions of subsidiary and associated companies are in alignment with those specified in accounting standards, which KBank discloses in the Notes to the Financial Statements.

❑ **Investment Policy**

Our investment policy can be summarized as:

▪ **Strategic Investments**

KBank invests in companies for strategic benefit. KBank and such companies collaborate on the review of business strategies and synergies through the sharing of various resources, equipment, tools and channels to efficiently meet the needs of customers with minimal operational redundancies.

▪ **Outsourcing Investments**

KBank invests in companies that support our operations. These are companies providing services that are not the core business of KBank, and thus would be relatively inflexible if they were to remain a part of KBank. Our executives are appointed as directors of these companies to oversee their management and operating policies, with one director having control over each such firm's operations. This helps assure standardized service quality, as well as maximized efficiency and benefit to KBank.

5. Legal Disputes

The Bank and its subsidiaries is not a litigant or a concerning party in the following particular cases;

1. cases that may cause any negative impact to assets of the Bank and its subsidiaries (cases which have litigation sum greater than 5 percent of the Bank's or its subsidiaries' shareholder equity as the case may be as of the latest fiscal year-end).
2. cases that may have a material adverse effect on business operation; but unable to estimate the exact amount.
3. cases that are not caused by the ordinary course of business.

In part of the Bank, the Bank has involved in 221 pending cases caused by the ordinary course of the Bank's business and having the total litigation sum of approximately Baht 7,812 million. In those cases, there are 61 cases which the Court of First Instance has awarded judgment in favor of the Bank but are still pending in higher courts, having an aggregate litigation sum of approximately Baht 676 million. The Bank is under the opinion that at the present status of the Bank, such total litigation sum of all of the aforementioned lawsuits will have no material impact on the Bank's business operation.

6. General Information and Other Important Information

Issuing company	KASIKORNBANK PUBLIC COMPANY LIMITED AKA “KBank”
Type of Business	KASIKORNBANK PCL conducts commercial banking business, securities business, and other related business under the Financial Institution Business Act, Securities and Exchange Act and other related regulations.
Head Office	1 Soi Rat Burana 27/1, Rat Burana Road, Rat Burana Sub-District, Rat Burana District, Bangkok 10140, Thailand
Company Registration Number	0107536000315 (formerly PLC 105)
Telephone	+662-2220000
Fax	+662-4701144-5
K-Contact Center (Personal)	+662-8888888 Press 1 Thai, Press 2 Mandarin, Press 3 English, Press 4 Japanese, Press 5 Myanmar
K-BIZ Contact Center (Business)	+662-8888822 Press 1 Thai, Press 2 Mandarin, Press 3 English, Press 4 Japanese, Press 5 Myanmar
SWIFT	KASITHBK
E-mail	info@kasikornbank.com
Website	www.kasikornbank.com

Names, Offices, Telephone and Fax Numbers of Referenced Entities**Registrar**

- Ordinary Shares : Thailand Securities Depository Company Limited
62 The Stock Exchange of Thailand Building,
Ratchadaphisek Road, Klong Toei,
Bangkok 10110, Thailand
Tel. +662-2292800 Fax +662-3591259
TSD Call center: +662-2292888
e-mail : TSDCallCenter@set.or.th
Website : www.tsd.co.th
- KASIKORNBANK PCL Subordinated Debentures : KASIKORNBANK PUBLIC COMPANY LIMITED
No. 1/2010, due for redemption in 2020 1 Soi Rat Burana 27/1, Rat Burana Road,
- KASIKORNBANK PCL Subordinated Debentures Rat Burana Sub-District, Rat Burana District, Bangkok
No. 1/2012, due for redemption in 2022 10140, Thailand
- Subordinated Instruments intended to qualify as Tier 2 Tel. +662-2220000 Fax +662-4701144-5
Capital of KASIKORNBANK PCL
No.1/2014 due 2025
- KASIKORNBANK PCL 8 1/4% Subordinated Bonds due : The Bank of New York Mellon, One Wall Street
2016 New York, N.Y. 10286 U.S.A.
Tel. (1) (212) 495 1784 Fax. (1) (212) 635 1799
- KASIKORNBANK PCL 3.0% Bonds due 2018 : The Bank of New York Mellon,
- KASIKORNBANK PCL 3.5% Bonds due 2019 acting through its London branch
40th Floor One Canada Square London E14 5AL
United Kingdom

Auditors

- : Mr. Supot Singhasaneh, CPA No. 2826
Mr. Nirand Lilamethwat, CPA No. 2316
Ms. Wilai Buranakittisophon, CPA No. 3920
KPMG Phoomchai Audit Limited
Empire Tower, 50th – 51st Floor,
1 South Sathorn Road, Yannawa,
Sathorn District, Bangkok 10120, Thailand
Tel. +662-6772000 Fax +662-6772222

Legal Adviser

- : Dr. Abhijai Chandrasen
22 Soi Soonthornsaratoon (On Nut 21/1),
Sukhumvit 77, Suan Luang District,
Bangkok 10250, Thailand
Tel. +662-7306969-76 Fax +662-7306967-8

Changes in KASIKORNBANK shares held by Directors and Executives in 2014

As of December 31, 2014

	Name	Position	KBank shares held as of 31 December 2013	KBank shares held as of 31 December 2014	Increase/ (Decrease) in KBank shares held in 2014	Percentage of shares held (%)
1	Mr. Bantoon Lamsam Spouse and minor children	Chairman of the Board and Chief Executive Officer	50,000 1,530,000	50,000 1,530,000	0 0	0.002 0.064
2	Mr. Somchai Bulsook Spouse and minor children	Vice Chairman	290,120 1,840	290,120 1,840	0 0	0.012 0.000
3	Mr. Krisada Lamsam Spouse and minor children	Vice Chairman	8,880 -	8,880 -	0 -	0.000 -
4	Mr. Predee Daochai Spouse and minor children	President	- -	- -	- -	- -
5	Mr. Teeranun Srihong Spouse and minor children	President	24,600 -	24,600 -	0 -	0.001 -
6	Ms. Sujitpan Lamsam Spouse and minor children	Director	3,000,000 -	3,000,000 -	0 -	0.125 -
7	Professor Khunying Suchada Kiranandana Spouse and minor children	Director	1,000 -	1,000 -	0 -	0.000 -
8	Dr. Abhijai Chandrasen Spouse and minor children	Director and Legal Adviser	10,000 -	10,000 -	0 -	0.000 -
9	Professor Dr. Pairash Thajchayapong Spouse and minor children	Director	- -	- -	- -	- -
10	Sqn. Ldr. Naline Paiboon, M.D. Spouse and minor children	Director	- -	- -	- -	- -
11	Mr. Saravoot Yoovidhya Spouse and minor children	Director	975,800 -	975,800 -	0 -	0.041 -
12	Dr. Piyasvasti Amranand Spouse and minor children	Director	- -	- -	- -	- -
13	Mr. Kalin Sarasin Spouse and minor children	Director	1,200 4,260	1,200 4,260	0 0	0.000 0.000
14	Mr. Somkiat Sirichatchai Spouse and minor children	Director	- -	- -	- -	- -
15	Mr. Rapee Sucharitakul Spouse and minor children	Director	- -	- -	- -	- -
16	Ms. Puntip Surathin Spouse and minor children	Director	N/A N/A	- -	N/A N/A	- -
17	Mr. Pakorn Partanapat Spouse and minor children	Senior Executive Vice President	- -	- -	- -	- -
18	Ms. Kattiya Indaravijaya Spouse and minor children	Senior Executive Vice President	- -	- -	- -	- -
19	Mr. Thiti Tantikulanan Spouse and minor children	Capital Markets Business Division Head	- -	- -	- -	- -

	Name	Position	KBank shares held as of 31 December 2013	KBank shares held as of 31 December 2014	Increase/ (Decrease) in KBank shares held in 2014	Percentage of shares held (%)
20	Mr. Surasak Dudsdeemaytha	Executive	-	-	-	-
	Spouse and minor children	Vice President	-	-	-	-
21	Dr. Adit Laixuthai	Executive	284	284	0	0.000
	Spouse and minor children	Vice President	-	-	-	-
22	Mr. Vasin Vanichvoranun	Executive	-	-	-	-
	Spouse and minor children	Vice President	-	-	-	-
23	Mr. Ampol Polohakul	Executive	-	-	-	-
	Spouse and minor children	Vice President	-	-	-	-
24	Mr. Wirawat Panthawangkun	Executive	10,380	10,380	0	0.000
	Spouse and minor children	Vice President	-	-	-	-
25	Mr. Krit Jitjang	Executive	920	920	0	0.000
	Spouse and minor children	Vice President	-	-	-	-
26	Mr. Somkid Jiranuntarat	Executive	-	-	-	-
	Spouse and minor children	Vice President	-	-	-	-
27	Mr. Pipit Aneaknithi	Executive	-	-	-	-
	Spouse and minor children	Vice President	-	-	-	-
28	Mr. Patchara Samalapa	Executive	-	-	-	-
	Spouse and minor children	Vice President	-	-	-	-
29	Mr. Panop Anusinha	Investment Banking	-	-	-	-
	Spouse and minor children	Business Division Head	-	-	-	-
30	Dr. Pipatpong Poshyanonda	Executive	35	35	0	0.000
	Spouse and minor children	Vice President	-	-	-	-
31	Mr. Vallop Vongjitvuttikrai	Executive	-	-	-	-
	Spouse and minor children	Vice President	-	-	-	-
32	Mr. Thawee Teerasoontornwong	Executive	N/A	-	N/A	-
	Spouse and minor children	Vice President	N/A	-	N/A	-
33	Mr. Prasopsuk Damrongchietanon	Executive	-	-	-	-
	Spouse and minor children	Vice President	-	-	-	-
34	Mr. Chongrak Rattanapian	Executive	-	-	-	-
	Spouse and minor children	Vice President	-	-	-	-
35	Ms. Sansana Sukhanuth	First Senior	-	-	-	-
	Spouse and minor children	Vice President	-	-	-	-
36	Ms. Wasana Surakit	Financial Accounting	80	0	(80)	-
	Spouse and minor children	Management Department Head	-	-	-	-
37	Ms. Hataiporn Chiemprasert	Financial Planning	N/A	3,500	N/A	0.000
	Spouse and minor children	Co-Department Head	N/A	-	N/A	-

Remarks: N/A

- Ms.Puntip Surathin was appointed as Director on April 4, 2014. Hence, number of shares held as of December 31, 2013 are not applicable for comparison.
- Mr. Thawee Teerasoontornwong was appointed as Executive Vice President on September 1, 2014. Hence, number of shares held as of December 31, 2013 are not applicable for comparison.
- Ms. Hataiporn Chiemprasert was appointed as Financial Planning Co-Department Head on January 1, 2014. Hence, number of shares held as of December 31, 2013 are not applicable for comparison.

INVESTMENTS OF KASIKORNBANK IN OTHER COMPANIES as of December 31, 2014

The following is a list of companies in which KASIKORNBANK made investments, in the form of shareholding of 10 percent or more of the total number of shares issued.

	Name of Company	Location of Corporate Headquarters	Type of Business	Registered Capital (Million Baht)	Paid-up Capital (Million Baht)	Total Number of Paid-up Shares	Total Number of Shares Held	Proportion of Total Shares Held (%)	Type of Share
1	KASIKORN ASSET MANAGEMENT CO., LTD. Tel. +662-6733999 Fax +662-6733988	Bangkok	Fund Management	135.77	135.77	27,154,274	27,154,274	100.00	Common Share
2	KASIKORN RESEARCH CENTER CO., LTD. Tel. +662-2731144 Fax +662-2701235	Bangkok	Service	10.00	10.00	100,000	100,000	100.00	Common Share
3	KASIKORN SECURITIES PCL Tel. +662-6960000 Fax +662-6960099	Bangkok	Securities Business	501.00	500.01	100,001,877	99,996,096	99.99	Common Share
4	KASIKORN LEASING CO., LTD. Tel. +662-6969999 Fax +662-6969966	Bangkok	Auto Leasing	900.00	900.00	90,000,000	90,000,000	100.00	Common Share
5	KASIKORN FACTORY & EQUIPMENT CO., LTD. Tel. +662-2902900 Fax +662-2903000	Bangkok	Equipment Leasing	160.00	160.00	1,600,000	1,600,000	100.00	Common Share
6	KASIKORNTHAI BANK Limited Tel. (856) 21 410888 Fax (856) 21 410889	Lao PDR	Banking	1,216.49	1,216.49	30,000,000	27,000,000	90.00	Common Share
7	Muang Thai Group Holding Co., Ltd. Tel. +662-2764859 Fax +662-2764859	Bangkok	Investment in other Companies	458.66	458.66	45,865,949	11,925,147	26.00	Common Share
8	K-SME Venture Capital Co., Ltd. Tel. +662-6738701-4 Fax +662-6738709	Bangkok	Venture Capital	200.00	200.00	20,000,000	20,000,000	100.00	Common Share
9	Phethai Asset Management Co., Ltd. Tel. +662-5626401-25 Fax +662-2733171	Bangkok	Asset Management	2,130.00	2,130.00	213,000,000	213,000,000	100.00	Common Share
10	PROGRESS SOFTWARE CO., LTD. Tel. +662-2257900-1 Fax +662-2255654-5	Bangkok	Service	10.00	10.00	100,000	100,000	100.00	Common Share
11	PROGRESS PLUS CO., LTD. Tel. +662-2252020 Fax +662-2252021	Bangkok	Sales of inventories and/or service	6.00	6.00	60,000	60,000	100.00	Common Share
12	PROGRESS APPRAISAL CO., LTD. Tel. +662-2706900 Fax +662-2785035	Bangkok	Service	5.00	5.00	5,000	5,000	100.00	Common Share
13	PROGRESS GUNPAI CO., LTD. Tel. +662-2733900 Fax +662-9806265	Bangkok	Service	20.00	20.00	200,000	200,000	100.00	Common Share
14	PROGRESS MANAGEMENT CO., LTD. Tel. +662-2751880 Fax +662-2751889-91	Bangkok	Service	20.00	6.00	60,000	60,000	100.00	Common Share

Name of Company	Location of Corporate Headquarters	Type of Business	Registered Capital (Million Baht)	Paid-up Capital (Million Baht)	Total Number of Paid-up Shares	Total Number of Shares Held	Proportion of Total Shares Held (%)	Type of Share
15 PROGRESS FACILITIES MANAGEMENT CO., LTD. Tel. +662-2733288-91 Fax +662-2733292	Bangkok	Service	5.00	5.00	50,000	50,000	100.00	Common Share
16 PROGRESS SERVICE CO., LTD. Tel. +662-2733293-4 Fax +662-2733292	Bangkok	Service	2.00	2.00	20,000	20,000	100.00	Common Share
17 PROGRESS STORAGE CO., LTD. Tel. +662-2733833 Fax +662-2714784	Bangkok	Service	3.00	3.00	30,000	30,000	100.00	Common Share
18 PROGRESS H R CO., LTD. Tel. +662-2701070-8 Fax +662-2701068-9	Bangkok	Service	1.00	1.00	10,000	10,000	100.00	Common Share
19 PROGRESS SERVICE SUPPORT CO., LTD. Tel. +662-4705420 Fax +662-8888882	Nonthaburi	Service	4.00	4.00	40,000	40,000	100.00	Common Share
20 PROGRESS COLLECTION CO., LTD. Tel. +662-4705284 Fax +662-4705288	Bangkok	Service	5.00	5.00	50,000	50,000	100.00	Common Share
21 PROGRESS TRAINING CO., LTD. Tel. +662-4706273 Fax +662-4703198	Bangkok	Service	1.70	1.70	17,000	17,000	100.00	Common Share
22 Thanyathanathavee Co., Ltd. Tel. +662-4706330 Fax +662-4702652	Bangkok	Investment in other Companies	1,148.65	1,148.65	114,865,000	114,865,000	100.00	Common Share
23 Thanyathamrongkij Co., Ltd. Tel. +662-4706330 Fax +662-4702652	Bangkok	Investment in other Companies	1,148.65	1,148.65	114,865,000	114,865,000	100.00	Common Share
24 Thanyanithiwattana Co., Ltd. Tel. +662-4706330 Fax +662-4702652	Bangkok	Investment in other Companies	4,499.30	4,499.30	449,930,000	220,465,700	49.00	Common Share
25 Processing Center Co.,Ltd. Tel. +662-2376330-4 Fax +662-2376340	Bangkok	Service	50.00	50.00	500,000	150,000	30.00	Common Share
26 National ITMX Co.,Ltd. Tel. +662-5587555	Nonthaburi	Service	50.00	50.00	500,000	100,500	20.10	Common Share
27 Muang Thai Holding Co.,Ltd. Tel. +662-6932729	Bangkok	Investment in other Companies	456.00	456.00	45,600,000	4,560,000	10.00	Common Share
28 Seacon Development Public Co.,Ltd. Tel. +662-7218888 Fax +662-7219444	Bangkok	Service	574.00	574.00	5,740,000	574,000	10.00	Common Share
29 SUPERNAP (Thailand) Company Limited Tel. +662-2648000 Fax +662-6572222	Bangkok	Service	1,410.00	363.23	141,000,000	14,100,000	10.00	Common Share

	Name of Company	Location of Corporate Headquarters	Type of Business	Registered Capital (Million Baht)	Paid-up Capital (Million Baht)	Total Number of Paid-up Shares	Total Number of Shares Held	Proportion of Total Shares Held (%)	Type of Share
30	T S C Innovation Co.,Ltd. Tel. +662-6829700 Fax +662-6829709	Bangkok	Telecommunications	300.00	225.00	30,000,000	3,000,000	10.00	Common Share
31	Baan Somthavil Co.,Ltd. Tel. +662-3320390 Fax +662-3320390	Bangkok	Property Development	25.00	25.00	1,000,000	100,000	10.00	Common Share
32	Palit Palangngan Co.,Ltd. Tel. +662-7161600 Fax +662-7161488	Bangkok	Energy & Utilities	1.00	1.00	10,000	1,000	10.00	Common Share
33	Unitas Co.,Ltd. Tel. +662-2627591 Fax +662-2626354	Bangkok	Land Rental	11.05	5.53	110,532	11,053	10.00	Common Share
34	Zin Suapah Co.,Ltd. Tel. +662-2215895 Fax +662-2215895	Bangkok	Service	6.00	3.00	6,000	600	10.00	Common Share
35	WEI POA Co.,Ltd.	Hong Kong	Agro-Industry	5.50	5.50	5,500,000	550,000	10.00	Common Share

Note: Total number of paid-up shares and total number of shares held include common shares and preferred shares.