



# Management Discussion and Analysis (MD&A)

For the Year Ending December 31, 2021

ธนาคารกสิกรไทย  
开泰银行 KASIKORNBANK



บริการทุกระดับประทับใจ

## Executive Summary of Management Discussion and Analysis For the Year Ending December 31, 2021

Overall, the Thai economy for 2021 grew 1.6 percent after seeing a contraction of 6.2 percent in 2020. However, the rebound was fragile and uneven across all sectors. Domestically, the economy remained pressured by the intensified COVID-19 outbreak, the course of which was highly uncertain amid the new COVID variant. The outbreak therefore continued to affect people's lives and economic activity. The prolonged pandemic even further hampered the recovery of businesses within the supply chains of the tourism and service sector as well as retail business. It also severely depressed employment and worsened the fragility of household income. This had repercussions for our customers' financial standing, which inevitably affected KBank's operating performance.

Amid the myriad challenges and heightened economic risk, KBank has operated its business in line with the principles of a Bank of Sustainability, accounting for the balance of three dimensions – environmental, social and governance – along with appropriate risk management and effective cost management in order to empower every customer's life and business. We prioritize the offering of total solutions, with attentive and inclusive services anytime, anywhere, in adherence with the Customer Centricity strategy and the resolve to deliver an excellent customer experience. We have focused on providing assistance to all groups of our customers facing the impacts of the COVID-19 crisis, in line with the Bank of Thailand's sustainable debt relief guidelines in order to support our customers in emerging from this crisis.

In parallel, we continued to bolster our capabilities and cyber security in our service through the development of digital technology, both financial and non-financial, to be in step with changing consumer behavior while also offering new business opportunities across all parties within our ecosystem under a new boundless business context, accounting for proactive integrated risk management, as well as a risk-aware culture Bank-wide, so as to secure our status as a leading financial institution that is always prepared for potential economic volatility, under both normal and stress situations.

KBank and its subsidiaries reported net profit for 2021 of Baht 38,053 million, an increase of Baht 8,566 million or 29.05 percent from the previous year. The increase could be attributed to KBank and its subsidiaries setting aside expected credit loss amounting to Baht 40,332 million, a decrease of Baht 3,216 million, or 7.38 percent over-year. Our expected credit loss was set aside under a prudent approach in line with the prevailing circumstances, which was also sufficient for accommodating KBank and its subsidiaries in proactively and continuously assisting our customers via various relief measures. Therefore, our coverage ratio as of December 31, 2021, stood at 159.08 percent, compared to 149.19 percent at the end of 2020,

Operating profit before expected credit loss and income tax expense for 2021 totaled Baht 92,305 million, an increase of Baht 7,410 million or 8.73 percent compared to the same period of 2020. The increase could be attributed to net interest income that increased by Baht 10,368 million or 9.51 percent, in line with loan growth

which was derived from new loan extension under KBank's strategy of granting loans to customers with potential, the offering of loans for liquidity enhancement under assistance measures to support customers in resuming normal business operations, as well as loans provided to certain customers under the Bank's relief measures including suspension of principal and interest payment. KBank thus focused on accrued interest management. Our net interest margin (NIM) therefore stood at 3.21 percent.

Non-interest income decreased by Baht 1,910 million or 4.17 percent, due mainly to decrease in revenue from sales of securities and net premiums earned – net, although fees and service income – net increased by Baht 2,312 million or 7.01 percent, due mainly to fees from fund management and brokerage fees. Other operating expenses increased by Baht 1,048 million or 1.50 percent due to employee expenses, while premises and equipment expenses and marketing expenses decreased. Cost to income ratio stood at 43.49 percent.

With regard to our capital position as of the end of 2021, capital adequacy ratio (CAR) of KASIKORNBANK FINANCIAL CONGLOMERATE according to the Basel III Accord was 18.77 percent, with a Tier 1 capital ratio of 16.49 percent and Common Equity Tier-1 Ratio of 15.46 percent, both of which were greater than the Bank of Thailand's requirement, reflecting our robust capital position which is adequate for continuously operating business under both normal and stressed situations. Through its efficient capital management, KBank can conduct business with optimal capital structure and effective capital management.

The operating performance of the subsidiaries of KBank was also satisfactory in terms of quantity and quality due to the concerted efforts of all units involved. KASIKORN SECURITIES PCL has worked with KBank in developing an online securities trading account opening system as well as technologies for customers' portfolio monitoring and management in alignment with investor behavior in the digital era, driving the company to garner a greater market share. KASIKORN ASSET MANAGEMENT CO., LTD. remained at the top of the mutual fund business. KASIKORN LEASING CO., LTD. could maintain its lending business volume amid a contraction in the domestic automotive industry while also keeping its healthy asset quality intact. Meanwhile, KASIKORN FACTORY & EQUIPMENT CO., LTD. could maintain its loan outstanding. In addition, Muang Thai Life Assurance PCL prioritized collaboration with KBank in developing life and health insurance products. In terms of market share, the company's total premiums in bancassurance business ranked second in the life insurance industry.

The 2021 operating performance of KBank and K Companies thus met our business targets as expected in line with the economic conditions. Our operations have gained wide acceptance and recognition at home and abroad, as reflected in the numerous awards we received. All the above endeavors and performance of KBank and K Companies have thus far been undertaken with prudence and in step with the ever-changing environment, together with awareness of the economic uncertainty that persists due to the unresolved COVID-19 crisis. These efforts will allow us to devise plans to cope with any potential impacts upon our business while also giving our customers support in an efficient and timely manner.

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# 1. Overview of Operating Environment

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## 1.1 Global and Thai Economy in 2021 and Outlook for 2022

In 2021, the global economy resumed growth after undergoing a severe contraction in 2020 due to the COVID-19 pandemic. However, the ability to maintain an economic recovery, which has been uneven across all countries, remains dependent on each country's efforts to control the spread of the novel COVID-19, and progress in accelerating the pace of vaccinations for its citizens.

Regarding the global economic outlook for 2022, the International Monetary Fund (IMF) has assumed a more cautious stance as it downwardly revised its forecast for global economic growth to 4.4 percent (as of January 25, 2022), as a result of the Omicron variant of COVID-19 which has affected economic activity during the first quarter of the year. The IMF also revised down its projection for the economies of the US and China for 2022 to 4.0 percent and 4.8 percent, compared to growth of 5.6 percent and 8.1 percent in 2021, respectively.

Inflation remains an issue that warrants close attention in 2022 as it will tend to remain high, though it may start to ease somewhat in the second half of the year. Apart from the high inflation rate, other important risk factors include COVID-19, supply shortages and the Fed's monetary policy stance. Amid signs of a US economic recovery, the Fed is likely to enter the cycle of a tightening monetary policy after an end of its quantitative easing (QE) measures. The US Fed Funds Rate may gradually rise from its current range of 0.00-0.25 percent, while the US balance sheet could see a reduction over the remainder of 2022 to counter inflationary pressures. At the same time, other major central banks may be considering the right time to tighten their monetary policy that would best suit the economic context and inflation level of their respective countries.

Overall, the Thai economy for 2021 grew 1.6 percent after seeing a contraction of 6.2 percent in 2020. This was in line with the global economic trend. The improvement could be attributed mainly to brighter exports while manufacturing sector, investment and private consumption saw divergent growth. Meanwhile, tourism and service sector including transportation remained pressured by the COVID-19 outbreak. Under these circumstances, the government implemented relief measures with the aim of aiding vulnerable groups, sustaining households' purchasing power, supporting business and SME operators while also maintaining stability of the Thai financial market and system. At the same time, financial institutions issued assistance measures for customers, especially through debt restructuring and provision of new loans to ease liquidity crunch faced by both business and retail customers.

Looking domestically, Thai economy in 2022 will likely maintain a more stable recovery than it had in 2021. However, close attention should still be paid to risk factors that could potentially upset the overall economy – particularly the ongoing COVID-19 outbreak, which is a key variable dictating the pace of Thailand's reopening to foreign tourists – as well as the continual recovery and distribution of domestic economic activity. In addition, the accelerating inflation rate and rising living costs may affect consumer sentiment and household spending amid lackluster income and purchasing power. Regarding Thai monetary policy for 2022, the

Monetary Policy Committee (MPC) is expected to keep its policy rate at 0.50 percent for the better part of 2022 in support of Thailand's economic recovery.

## 1.2 Banking Industry and Emerging Risks

### □ Banking Industry

Commercial banks' overall performance in 2021 recorded an increase in net profit, compared to 2020. The increase could be attributed to a decrease in expected credit loss, as well as rising non-interest income which was derived from gain on investments – an extraordinary item – and net fees and service income, especially fees from fund management, brokerage, wealth management and bancassurance. However, net interest income only edged up slightly due to impact from reduction of interest rates and the ceiling of certain types of retail lending rates, while the loans that saw marked growth in 2021 were generally business loans which offered low yields. Under these circumstances, net interest margin (NIM) declined. Meanwhile, NPLs to total loans of commercial banks dropped due to proactive asset quality management and acceleration of customers' debt restructuring.

As of December 31, 2021, loans to customers and accrued interest receivables - net at 18 domestically registered commercial banks totaled Baht 13.512 trillion, rising 5.71 percent compared to the end of 2020. Meanwhile, deposits equaled Baht 15.223 trillion, an increase of 4.04 percent compared to the end of 2020. KBank ranked second in loans to customers and accrued interest receivables - net in the commercial banking system, with a market share of 15.52 percent, and ranked third in deposits and assets, with market shares of 16.15 percent and 15.16 percent, respectively.

Looking ahead into 2022, commercial banks are expected to operate business with caution in a highly uncertain economic environment amid the protracted COVID-19 outbreak which will continue to influence the recovery of economic activity. Overall, however, a brighter economic outlook than what was seen in the previous year would be a boon to the profitability of the banking system that is likely to gradually improve. Nonetheless, upcoming challenges will include asset quality management and preparation of strategies to cope with heightened market competition amid the changing financial landscape and the race to win opportunities that come with new forms of financial services so as to compensate for income affected by the ongoing COVID-19 crisis.

### Market Shares in Assets, Deposits, and Net Loans within the Commercial Banking System

(Unit: Million Baht)

Bank	Assets	Market Share (%)	Deposits	Market Share (%)	Net Loans	Market Share (%)
Bangkok Bank	3,753,832	16.55	2,665,646	16.62	2,025,671	14.17
Krung Thai Bank	3,462,922	15.27	2,619,066	16.33	2,401,462	16.80
<b>KASIKORNBANK</b>	<b>3,437,504</b>	<b>15.16</b>	<b>2,590,807</b>	<b>16.15</b>	<b>2,219,173</b>	<b>15.52</b>
Siam Commercial Bank	3,300,014	14.55	2,469,201	15.39	2,160,070	15.11
Bank of Ayudhya	2,331,179	10.28	1,760,331	10.97	1,641,531	11.48
TMB Thanachart Bank	1,754,689	7.74	1,343,728	8.38	1,324,479	9.26
United Overseas Bank	725,455	3.20	520,846	3.25	476,263	3.33
Kiatnakin Bank	418,905	1.85	288,904	1.80	300,967	2.11
CIMB Thai	394,879	1.74	182,779	1.14	202,709	1.42
ICBC (Thai)	253,732	1.12	158,931	0.99	107,455	0.75
Land and Houses Bank	251,531	1.11	192,513	1.20	170,144	1.19
TISCO Bank	228,615	1.01	167,925	1.05	188,215	1.32
Standard Chartered Bank (Thai)	168,051	0.74	71,809	0.45	39,948	0.28
Thai Credit Retail Bank	115,580	0.51	88,736	0.55	95,513	0.67
Sumitomo Mitsui Trust Bank (Thai)	98,514	0.43	21,838	0.14	62,384	0.44
Bank of China (Thai)	70,952	0.31	44,605	0.28	47,856	0.33
ANZ Bank (Thai)	45,521	0.20	16,598	0.10	22,058	0.15
Mega International	29,519	0.13	19,194	0.12	26,177	0.18
<b>Domestically-registered commercial banks</b>	<b>20,841,394</b>	<b>91.89</b>	<b>15,223,457</b>	<b>94.89</b>	<b>13,512,075</b>	<b>94.51</b>
<b>Foreign bank branches</b>	<b>1,840,005</b>	<b>8.11</b>	<b>819,367</b>	<b>5.11</b>	<b>784,377</b>	<b>5.49</b>
<b>All commercial banks</b>	<b>22,681,399</b>	<b>100.00</b>	<b>16,042,824</b>	<b>100.00</b>	<b>14,296,452</b>	<b>100.00</b>

Source: C.B. 1.1 and C.B. 1.2 (Bank-only Financial Statements)

□ Emerging Risks

KBank is prepared for numerous challenges over the next five years. Aside from impacts on economic and business trends, they could affect the commercial banking business, directly and indirectly. In detail:

Emerging Risks	Description of Risks	Potential Business Impact of Risks	Mitigating Actions
Climate-related Risk	Climate-related risk consists of two types of risk, namely physical risk such as floods, drought, etc. and transition risk that arises from changes in policies and regulatory requirements, technologies and markets, such as implementation of carbon tax measures, and changing consumer behavior on account of increased environmental concerns.	<p>Physical risk arising from climate change-induced disasters – whether of short- or long-term consequence – is set to emerge with greater frequency and intensity. This phenomenon may have a direct impact on the business sector throughout supply chains and be catastrophic to properties of customers and KBank, alike.</p> <p>Aside from business disruption, we may have to bear hefty costs for prevention and rectification of any adverse impacts.</p> <p><b>Meanwhile, the transition to a zero carbon society</b> has led to changes in laws, regulations, policies and various practical guidelines for management of climate-related risk.</p> <p>This has caused the business sector to face increased costs through investment in additional equipment, compensation expense, research and development, opportunity cost stemming from delay in the start of commercial operations, project termination and asset impairment. Indirectly, we may also feel impacts should the businesses of our customers or sponsors suffer a tarnished reputation.</p>	<p>KBank is aware of risk and always recognizes the importance of the impacts of our business operations on the environment and society. As they could have adverse effects on our image and lead to KBank’s financial loss, we have therefore established operational guidelines as follows:</p> <ul style="list-style-type: none"> <li>● Integrate climate-related risk into Bank-wide risk management processes</li> <li>● Put in place governance structure, policies and management related to climate change</li> <li>● Assess risks, opportunities and impacts via climate-related scenario analysis in accordance with the guidelines of the Task Force on Climate-related Financial Disclosures (TCFD)</li> <li>● Assess the impacts of lending in support of various businesses at the portfolio level in the dimensions of economy, society and environment</li> <li>● Conduct study on guidelines for setting the target of greenhouse gas emissions (GHG) reductions of industries that emit significant quantities of GHG for the formulation of sector strategy</li> <li>● Promote collaborative action with our customers in the transition to a zero carbon society</li> </ul> <p>All of these endeavors aim to mitigate climate-related risk, which will allow us to</p>



Emerging Risks	Description of Risks	Potential Business Impact of Risks	Mitigating Actions
		<p>Unless the business sector adjusts itself appropriately and in a timely manner, its competitiveness and debt servicing ability may inevitably be impacted. This may have repercussions for KBank's asset quality and eventually its financial standing.</p>	<p>achieve our GHG reduction targets in alignment with Thailand's aspirations.</p>
<p>Cyber Risk</p>	<p>KBank endeavors to become a digital banking trailblazer. We aim to continually develop new formats of products and services via digital channels such as digital business, e-payment and digital assets. Along with this, we focus on system interface with our business partners and deployment of new technologies to meet customers' needs amid digitalization, wherein consumers are increasingly reliant upon digital technology. <b>Cyber threats are potentially disastrous.</b> They may come in various forms coinciding with the evolution of more rapid and sophisticated technologies, such as cyberattacks on cloud computing or cyberattacks that target a large group of consumers, who are tricked into divulging confidential or personal information that may be used for fraudulent purposes. These include phishing and social engineering crimes, which may bring harm to individuals and organizations.</p>	<p>Cyberattacks have direct impacts on KBank at multiple levels. To be more specific:</p> <ol style="list-style-type: none"> <li>1) KBank's services could be disrupted if the Bank's computer systems are targeted;</li> <li>2) KBank's data could be accessed and released without authorization.</li> </ol> <p><b>Aside from causing financial harm to KBank,</b> cyberattacks could jeopardize customers' confidence towards KBank's services as well as its reputation. We may also be subject to penalties imposed by authorities if rules and regulations are violated.</p> <p><b>Meanwhile, customers could incur financial loss</b> if they are attacked by cybercriminals.</p>	<p>KBank has implemented measures for cyber risk management that encompass work system and customers' data privacy via effective risk identification under the four processes, i.e., threat prevention, proactive threat detection, timely and effective threat response and the establishment of a cyber hygiene culture to ensure awareness of cyber threats at all levels – from the Board of Directors to executives, employees, customers, business partners and suppliers.</p> <p><b>To prevent and manage cyber threats Bank-wide,</b> we have employed relevant tools while also bolstering our technological capabilities for controlling advanced threats and preventing zero-day attacks.</p> <p><b>Furthermore, KBank has enhanced our IT security management on a continual basis</b> to meet global standards and in line with regulatory requirements, namely ISO 27001 certification, Payment Card Industry Data Security Standard (PCI DSS), Payment Card Industry PIN Security Requirements (PCI PIN Security) and the Personal Data Protection Act (PDPA).</p>

Emerging Risks	Description of Risks	Potential Business Impact of Risks	Mitigating Actions
Post-pandemic Risk	<p>Post-pandemic risk including the potential for newly emerging infectious diseases is deemed a key risk that KBank and other organizations around the globe must continually monitor and be prepared for. Focus must be on potential new outbreaks and resulting changes in society and business. The major challenge lies in the fact that the scope of any new outbreak's impact cannot be immediately determined due to uncertainty regarding its mutations, severity, and duration. In many cases, existing vaccines cannot provide a swift or complete resolution.</p> <p><b>Another challenge exists</b> in change in people's ways of life towards the new normal. This affects customers' behavior demands, and employees' work format as well as process improvement and control.</p>	<p>The risk of new pandemics is likely to emerge in the foreseeable future. It could even escalate to the extent that there are wide-ranging effects on economic and social systems as well as KBank's operations. In detail:</p> <ul style="list-style-type: none"> <li>● <b>Customer Service:</b> KBank will have to adjust the approach of our business operation and service to ensure safe and continual services for our customers in alignment with the need for digital services and products. We must also implement relief measures to assist pandemic-hit customers.</li> <li>● <b>Adjustment of our work process and control:</b> This must comprehensively cover our products and services via multiple channels as well as employees' work performance, taking into account their safety at work and support of their morale, and compliance with the government's guidelines.</li> </ul>	<p>KBank has established proactive measures for pandemic risk management. This ensures that we can continually operate our business and provide services to our customers, suppliers and other stakeholders without disruption. Our comprehensive business continuity plan covers pandemic prevention, monitoring and response to ensure greater flexibility and readiness for adjustment to rapidly changing circumstances. We have employed technology to support customer service, the offering of KBank products and our employees in working from home while dividing essential staff members to work from split sites and floors under efficient work process control to ensure safety in their work at KBank's premises.</p> <p><b>Moreover, KBank has formulated a dynamic provisioning plan to cope with impacts from deterioration in asset quality in times of crisis.</b> This effort has allowed KBank to provide relief measures to ease the adverse impacts on every stakeholder, namely customers, suppliers, shareholders, society and communities.</p> <p><b>Furthermore, we have improved stress testing processes and models</b> for enhancement of our forward-looking and preventive portfolio management. So doing helps KBank to operate our business continually and sustainably.</p>
Financial Landscape Risk	<p>Development of digital technology has created unprecedented opportunity for non-financial business operators as they can provide various financial transactions similar to those offered by financial institutions. This development has not only given rise to a new</p>	<p>Development of technology that connects every mechanism within the economic and financial system comes with both opportunities and risks for KBank. As an organization with ample advantages in terms of funding, business size and a broad customer base – including</p>	<p>KBank is aware of the changing business context, ever-evolving consumer behavior and proliferation of new technologies. We therefore prioritize enhancement of our capabilities to ensure improved customer responsiveness and maintain our competitiveness, especially amid the presence of new players from various industries in the market. We have</p>

Emerging Risks	Description of Risks	Potential Business Impact of Risks	Mitigating Actions
	<p>dimension of financial innovations which transcends the traditional services we had been accustomed to, but has also reshaped the financial landscape. This is a prelude to decentralized finance (DeFi), which has inevitably had a direct impact on the role of financial institutions.</p> <p>Moreover, the development of digital currencies – which will emerge as a medium for the exchange of values in place of physical fiat money – by both the private sector and central banks may bring about a major revamp of the global financial structure. This evolution will affect investment at the individual level, the maintenance of national economic equilibrium and financial stability. All of this may likely increase systemic risk in various forms, thus eventually affecting KBank’s business operations.</p>	<p>the public, private sector and retail customers, KBank has thus stood out among peers thanks to our readiness in technology development in step with the latest trends.</p> <p>On the downside, however, development of financial transaction-related technology via digital channels poses a major challenge for KBank. With the presence of non-banking service providers in the market, our role as a financial intermediary has been diminishing in a highly competitive market amid lower funding costs. This will prove to be a major challenge that KBank must confront. Along with this, we have to adopt an effective risk management approach and remain competitive in the market, while new players joining the fray may be required to comply with different rules and regulations governing each business.</p> <p>Moreover, the role of digital currencies and development of Retail Central Bank Digital Currency (Retail CBDC) including Stablecoin, going forward may affect KBank’s business and transaction formats. This is particularly true for deposit mobilization – in terms of both pricing and volume. This new challenge may cause us to be exposed to greater risk, especially regarding management of volatility in</p>	<p>conducted research on decentralized finance (DeFi) via blockchain – a system that does not require financial intermediaries to ensure our readiness for development of services beyond the traditional banking realm so as to maintain our leadership as a digital banking service provider.</p> <p>Meanwhile, KBank has participated in the testing process for the use of Retail Central Bank Digital Currency (Retail CBDC), developed by the Bank of Thailand. The test, which is scheduled to take place in 2022, aims to promote understanding of Retail CBDC which can be applied to other KBank services and further developed for innovative use cases for the benefit of our customers.</p> <p>Moreover, KBank has expanded our investment in various digital asset-related businesses and blockchain technologies. For instance, we established a subsidiary to provide an initial coin offering (ICO) portal service in the primary market via blockchain. Moreover, KBank has invested in a consultant firm that offers digital asset advisory services. We have also developed a marketplace platform to support the creation and sales of non-fungible token (NFT) while forging a partnership with the Stock Exchange of Thailand in establishing Thai Digital Assets Exchange (TDX), which envisages being a central platform that connects investment to other asset classes. KBank continues to prioritize proactive integrated risk management and efficient capital management throughout our journey towards service enhancement in a changing competitive environment.</p>

Emerging Risks	Description of Risks	Potential Business Impact of Risks	Mitigating Actions
		money and capital markets as well as maintenance of our liquidity.	

### 1.3 Significant Regulations and Rules related to Business Operations<sup>1</sup>

Significant regulations and rules that may have affected KBank's and K Companies' business operations included:

- **Rules for Acceptance of the Transfer of Collateral Property for Debt Repayment**

Notification of the Director-General of the Revenue Department (No. 34) Re: Rules, Methods and Conditions for Debts under Measures to Promote Acceptance of the Transfer of Collateral Property for Debt Repayment under the Royal Decree issued under the Revenue Code Governing Exemption from Revenue Taxes (No. 721) B.E. 2564 (2021) published in the Government Gazette on October 6, 2021, effective July 14, 2021, can be summarized as follows:

1. Debtors of a financial institution are entitled to exemption from income tax on income obtained from a financial institution through the debt forgiveness by a financial institution under the following conditions:
  - Debtors, property owners and financial institutions are required to jointly prepare a certificate of intent to participate in the measures to promote acceptance of the transfer of collateral property for debt repayment.
  - Debtors are required to give notice and submit the certificate of intent to the Director-General of the Revenue Department via the Area Revenue Office where the debtor's place of domicile or business establishment is located or via the Director of the Large Business Tax Administration Division.
  - Documents must be submitted within the final day of a tax year or the last day of the accounting year in which the debt is forgiven.
2. Debtors of a financial institution or property owners are entitled to exemption from income tax, value-added tax, specific business tax and stamp duty on income obtained from the transfer of collateral property, sales of goods and execution of instruments undertaken with a financial institution under the following conditions:

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<sup>1</sup> Additional details on Significant Regulations and Rules related to Business Operations for 2021 can be obtained from Management Discussion and Analysis for the first, second and third quarter of 2021.

- Debtors or owners of property are required to give notice and submit the confirmation form to participate in the measures for acceptance of the transfer of collateral property for debt repayment, issued by the Bank of Thailand to the land officer who is responsible for processing the registration of rights and juristic acts upon the registration.
  - Debtors, property owners and financial institutions are required to jointly prepare a certificate of intent to participate in the measures for acceptance of the transfer of collateral property for debt repayment.
  - Debtors or property owners are required to give notice and submit the certificate of intent to the Director-General of the Revenue Department via the Area Revenue Office where the debtor's place of domicile or business establishment is located or via the Director of the Large Business Tax Administration Office.
  - Documents must be submitted within the final day of a tax year or the last day of the accounting year in which the collateral property is transferred.
3. Financial institutions are entitled to exemption from income tax, value-added tax, specific business tax and stamp duty on income obtained from the transfer of collateral property, sales of goods and execution of instruments undertaken with debtors or property owners under the following conditions.
- Financial institutions are required to give notice and submit the confirmation form to participate in the measures for acceptance of the transfer of collateral property for debt repayment, issued by the Bank of Thailand to the land officer who is responsible for processing the registration of rights and juristic acts upon the registration
  - Financial institutions are required to prepare a letter of certification for the transfer back of collateral property under the measures for acceptance of the transfer of collateral property for debt repayment.
  - Financial institutions are required to give notice and submit the letter of certification to the Director-General of the Revenue Department via the Area Revenue Office where the debtor's place of domicile or business establishment is located or via the Director of Large Business Tax Administration Office
  - Documents must be submitted within the last day of the accounting year in which the collateral property is transferred.

KBank has taken actions as required by the Notification.

- **Long-term Debt Relief Measures for Retail Borrowers via Refinancing and Debt Consolidation**

The Bank of Thailand issued circular No. BOT. ForNorSor2.Wor. 1079/2564 (2021) Re: Guidelines for Providing Assistance to Debtors Affected by the COVID-19 Pandemic (Long-term Debt Relief Measures via Refinancing and Debt Consolidation), dated November 16, 2021, which aims to assist debtors with good repayment history or affected by the COVID-19 transmission via sustainable debt restructuring and reduced interest burdens. Practical guidelines to support refinancing and debt consolidation of mortgage loan with other retail loans can be summarized as follows:

1. Prepayment fee is waived for redemption of personal loan under supervision or nano finance under supervision until December 31, 2023.
2. Debt consolidation scope has been extended to include debt pooled among financial institutions and/or business operators. Previously, only debt within the same financial institution was allowed to be consolidated.
3. Interest rate charged for other retail loans eligible for consolidation must not be more than 2 percent per annum above the home loan interest rate.
4. The amount of debt to be consolidated must not exceed the collateral appraisal value.

KBank is now designing products and improving processes in line with the Bank of Thailand's policy guidelines.

- **Policy Guidelines on Risk Culture of Financial Institutions**

The Bank of Thailand issued Policy Guidelines Re: Risk Culture of Financial Institutions dated November 11, 2021, to encourage financial institutions in promoting a strong risk culture as an integral part of an organizational culture covering four key areas, namely tone from the top, accountability, effective communication and challenges, and incentives and HR practices. Actions taken should account for the structure, size and complexity of business operations in order to allow financial institutions to operate with enhanced immunity and stay ahead of risks in the ever-changing financial environment.

KBank has revised our consolidated risk management policy to be in conformity with the Bank of Thailand's policy guidelines.

- **Guidelines for Fair Lending Management**

The Bank of Thailand issued circular No. BOT. ForKhorNgor.Wor. 951/2564 (2021) Re: Guidelines for Fair Lending Management, dated October 4, 2021, which compiles major principles and guidelines for fair lending practices in accordance with rules and laws used by the Bank of Thailand for supervision of service providers. These guidelines shall be applied by service providers in taking care of borrowers and guarantors while supervising a person or juristic person who acts on their behalf in matters such as debt collection or litigation. Focus is on retail customers and SME operators so that assistance will be provided to those facing

debt problems more efficiently and in a timely manner. The guidelines cover the end-to-end lending process which includes:

1. Development and offering of loan products: Pricing terms must be consistent with risk, while an appropriate lending format must be established with complete details given to customers to ensure that they receive sufficient data for their decision-making.
2. Credit risk management: Collateral appraisal must be appropriately conducted, while borrowers and guarantors must be clearly informed of their rights and scope of their legal obligation. Moreover, establishment of conditions that would incur excessive burdens to borrowers is prohibited. These include demands for additional collateral or guarantee or insurance for risk coverage.
3. Debt collection and collection fee: Debt collection behavior must be appropriately controlled and collection fee must be notified and charged per the established rate, accounting for fairness for customers and consistency with debt collection practical guidelines under the Bank of Thailand's policy as well as related requirements and laws.
4. Assistance for borrowers facing debt repayment problems via debt restructuring and debt mediation: Borrowers should be given appropriate options which must not incur excessive burdens to them. They should be encouraged to enter into preventive debt restructuring and debt mediation.
5. Litigation process: Litigation must be appropriately overseen to ensure fairness. Customers must be informed of the litigation process if they contact the Bank for more information.
6. Sale and transfer of debt to other creditors: Borrowers must be completely informed of the sale and transfer of debt to service providers. Service providers who purchase a debt should take into account the repayment format used by the previous service provider, wherein borrowers must have equal or superior rights while repayment terms must be consistent with their debt servicing ability and notify the transfer of creditor to borrowers.

KBank is now taking necessary actions in conformity with the guidelines established by the Bank of Thailand.

- **Policy Guideline: Know Your Merchant (KYM)**

The Bank of Thailand issued circular No. BOT.ForNorChor.(02) Wor. 948/2564 (2021) Re: Submission of Policy Guideline: Know Your Merchant (KYM), dated October 4, 2021, effective January 1, 2022, which will be used as minimum standard of practical guidelines for establishment of merchant onboarding process and ongoing monitoring to ensure service security in the payment systems. Guiding principles include:

1. Put in place merchant onboarding and verification processes including ongoing monitoring to ensure that risk management is appropriate for the merchant's risk level. For risk assessment

and classification, merchant categorization must be undertaken in three levels: (1) general merchants (2) high-risk merchants and (3) merchants with prohibited characteristics.

2. Implement policies, practical guidelines and measures for risk management, internal control process, monitoring and audit as well as review of related risks which must be sufficient and appropriate for the merchant's risk level, from the start of the merchant onboarding process until the end of the relationship.
3. Establish practical guidelines for merchant onboarding and ongoing monitoring in three levels, namely minimum guidelines for general customers, minimum plus additional guidelines for high-risk merchants and no service to merchants with prohibited characteristics.

KBank has established risk management policy and process that are in line with the Bank of Thailand's policy guidelines.

- **Criteria for Remitting Contribution to Financial Institutions Development Fund (FIDF)**

The Bank of Thailand issued Notification No. SorKorSor1. 4/2564 (2021) Re: The Setting of Contribution Rate, Criteria and Procedures for Remitting Contribution and Surcharge to the Account for Amortization of the Principle to Fiscalize to the Financial Institutions Development Fund's Losses (No.3), dated October 20, 2021, effective January 1, 2022. The period for reduced contribution rate will be temporarily extended for another year until December 2022. Financial institutions shall temporarily remit contributions to the Bank of Thailand at the rate of 0.23 percent per annum (from the rate of 0.46 percent per annum) of average deposit balance of protected accounts and funds received from the general public for the January-December period of 2022. Such extension will help lower financial institutions' costs, which could help relieve the impact of the pandemic on businesses and the general public. The contribution rate of 0.46 percent per annum shall be applied during the January-June period of 2023 onwards.

KBank has undertaken relevant operations to be consistent with the criteria determined by the Bank of Thailand.



## 2. Risk Management and Risk Factors<sup>2</sup>

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### 2.1 Overall Risk Management

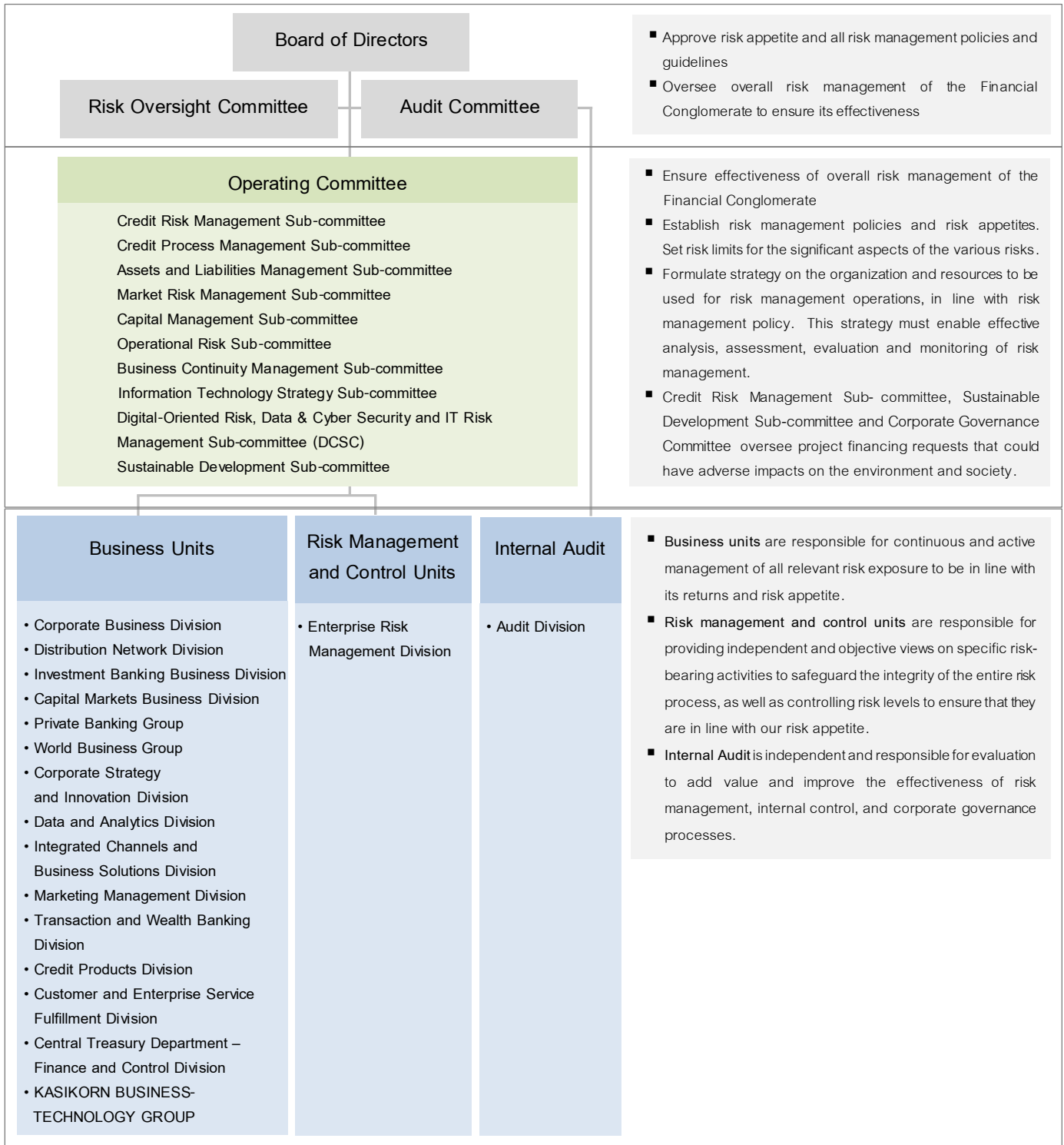
Risk Management is an integral part of our organizational culture. We have established risk management policy and risk appetite, and risk management has been taken into account when formulating our strategies and business undertakings to support business growth. This is to ensure sustainable profitability and maximize stakeholders' returns. KBank's risk management strategy has been established in line with international guidelines and principles, and applied throughout the Conglomerate. We engage in a consolidated risk management framework that emphasizes management of risks, e.g., credit, market, liquidity, operational, digital and strategic risks. KBank's risk management structure clearly determines duties and responsibilities of relevant units, including an independent risk management unit, while risk-adjusted performance measurement has been applied with each business unit.

KBank's risk, capital and liquidity management is under the supervision of the Board of Directors, which is responsible for ensuring the appropriate level of capital and liquidity to accommodate our present and future business operation. Meanwhile, KBank ensures that policies, processes and systems for controlling, monitoring and reporting risks, capital and liquidity are in place whereas segregation of duties and reporting lines are clearly defined in conformity with the good internal control principle. We also emphasize thorough, accurate and regular disclosures on risk, capital and liquidity management to the public.

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<sup>2</sup> Details of risk management and other related information, in accordance with the Bank of Thailand Pillar 3 requirement and disclosure principles, are shown in "the Basel III Pillar 3 Disclosure" section on KBank's website. Moreover, details on Responsible Lending and Investment in accordance with Environmental, Social and Governance (ESG) criteria can be found in Sustainability Report 2021.

## Risk Management Structure



Data as of December 31, 2021

## □ Key Developments to Strengthen Risk Management

KBank places great emphasis on effective and timely risk management. Risk management policies, tools and processes have been developed and are reviewed regularly to guard against rising risk trends in line with market volatility, and to ensure that they are appropriate for changes in regulatory requirements, including domestic and global economic policies. Relevant actions taken were as follows:

- **Develop management guidelines and processes for managing environmental, social and governance (ESG) risk as well as climate-related risk in line with responsible lending principles:** Impact of KBank's credit support has been assessed across all dimensions while climate-related risks, opportunities and impacts have been analyzed and assessed under various assumptions. The results have been used in the formulation of strategic plans, ESG credit policy and portfolio management plans. Focus has been on minimizing negative impacts while maximizing positive effects on the environment, society and economy in conformity with KBank's goals so that the target can be achieved.
- **Establishment of proactive risk management amid the COVID-19 pandemic:** KBank implemented preventive and monitoring measures for coping with COVID-19, which allowed continuity in our services and mission critical activities (MCA) with safety. We prioritized hygiene and employee morale support along with adherence to public health measures and guidelines for distancing, mask wearing, hand washing and testing (D-M-H-T). Meanwhile, we have employed technology to support employees in working from home while dividing them to work from split sites and floors in order to minimize the risk of cluster infections. In addition, we have formulated strategies for management of COVID-19 risk and implementation of assistance measures for all stakeholders, including customers, employees, suppliers, shareholders, society and community.
- **Enhance impairment provisioning process under TFRS9 standard:** Credit risk models, asset classification criteria, provisions, and economic factors determination have been enhanced in accordance with TFRS9 standards. Credit risk management process has been enhanced to be consistent with asset classification and provisioning under TFRS9. Along with this, we have initiated a dynamic provisioning plan to cope with potential impacts of asset quality deterioration in this time of economic uncertainty from the new wave of the COVID-19 pandemic.
- **Improve stress testing processes and models** to ensure that our business growth is within the risk appetite with enhanced efficiency in risk and capital management as well as assessment of capital adequacy and liquidity position. KBank focuses on improvement of forward-looking and preventive portfolio management in the midst of a highly volatile economic environment, in conformity with the Bank of Thailand's regulations and directions. We have also developed a susceptible-exposed-infectious-recovered (SEIR) model accounting for government policies including vaccination and lockdown measures in order to predict infection incidents, as well as economic impacts via Google

Mobility Index that is correlated to private consumption in order to identify pandemic-hit customer segments. So doing allows us to ensure enhanced efficiency in analysis, monitoring and management of customer risk profiles.

- **Active Credit Portfolio Management (ACPM) appropriate for each customer segment to manage impacts of COVID-19:** We have employed customer transaction data for risk analysis and assessment. Customers have been classified by impacts and their debt servicing ability, which has allowed us to provide them with appropriate relief measures. This includes restructuring for business customers and debt relief measures for retail customers to ease the impacts of the COVID-19 pandemic, ensuring that KBank can maintain sustainable growth within risk appetite under normal and stress scenarios.
- **Active Credit Portfolio Management (ACPM) via analysis of economic value (EV) of new loan:** We have assessed risk-adjusted performance of credit portfolio while vintage analysis has been conducted to measure new customers' asset quality. This will serve as a dynamic strategic planning mechanism to ensure the Bank's appropriate risk-adjusted return within a risk appetite level.
- **Continuous upgrade of information security management to meet global standards:** KBank's information security management system has been awarded ISO 27001:2013 certification for the eighth consecutive year. We were also awarded PCI DSS V3.2.1 for our credit card data security system, which covers Payment Gateway on Cloud available for card accepting merchants, and PCI PIN Security V3.0 for the security system for card use at ATMs.
- **Strengthening of customers' data protection and privacy management:** A working group has taken steps to ensure preparedness in compliance with the Personal Data Protection Act (PDPA) which will come into force in June 2022. The actions include policy revision, and process and technology updates covering control measures and relevant infrastructure to support consent management and customers' exercising of rights. Moreover we have continually communicated to employees to ensure that they recognize the importance of compliance with the PDPA while the progress reports have been reviewed and presented to KBank's executives on a regular basis.
- **Implementation of measures for controlling advanced threats** including advanced threat prevention, e.g., enhancement of capability of various cyber security solutions to prevent zero-day attacks, proactive threat detection, e.g., increase visibility to detect external threats, and timely and effective threat response in order to stay ahead of fast-changing cyber threats that are always becoming more diverse and sophisticated.
- **Reinforcing a cyber hygiene culture** that involves the Board of Directors, management, employees, customers, business partners and suppliers, through dissemination of knowledge in various media such as a cyber awareness campaign for customers, e-learning, security newsletter, cyber news alert, and infographics. Moreover, a phishing drill exercise was conducted to raise employees' awareness of the phishing threat.

- **Establishment of End-to-End Product Management Framework (PMF)** to ensure that all key products and services are managed efficiently, aligned with customers' needs and controlled with acceptable risk level.
- **Establish operational guidelines and appropriate control for risk management and positive customer experience among risk-related units** to be more integrated and efficient by setting up the Risk and Customer Working Group (RCWG) which consists of key members from related parties. The enhancement is to ensure that the Bank can provide various products and services to align with customers' needs and prepare for business growth in the digital world more efficiently, while key risks and compliance issues are defined and managed securely and appropriately.
- **Enhancement of Business Partner and Third-Party Risk Management** which covers risk assessment, selection process, contract preparation, risk monitoring and termination of service with business partners and third parties to ensure that risk management of service provision, system interface, or data access by third parties is managed appropriately in line with related regulations.
- **Continual enhancement of fraud management and intelligent system** to ensure enhanced security for customers' transactions and increased efficiency in fraud detection in various forms for a broader coverage.
- **Put in place market conduct management** accounting for customers' demand, financial status and understanding to ensure that customers receive fair service and treatment with complete and accurate information about products and services for positive customer experience.
- **LIBOR discontinuation preparation:** To ensure KBank's readiness for LIBOR cessation, KBank has continually handled all related aspects, including legal issues and contracts, communication, as well as risk management and system. KBank executed more transactions referencing THOR (Thai Overnight Repurchase Rate – Thailand's new benchmark rate) to replace THBFIX (Thai Baht Interest Rate Fixing) transactions. Meanwhile, our preparation also focuses on transactions referencing existing interest rates to ensure a smooth transition in Thailand's financial markets.

## 2.2 Risk Management

KBank has placed an emphasis on comprehensive risk management such as credit risk, market risk, liquidity risk, operational risk, digital risk and strategic risk, all of which are covered and properly managed.

### □ Credit Risk Management

Credit risk refers to risk whereby a counterparty or borrower may default on contractual obligations or agreements, or have an intention not to abide by an agreement, resulting in losses to KBank. KBank thus places significance on credit risk management compatible with international standards and regulatory requirements, environmental impacts and climate change that may be caused by KBank business operations, to ensure sustainable growth and reasonable returns to stakeholders.

In 2021, KBank focused on customer service and credit risk management for every customer segment to ensure that risk levels are under acceptable risk appetite. Customers' businesses were challenged by the protracted COVID-19 pandemic and an uneven global economic and trade recovery. Meanwhile, digital disruption prompted KBank to focus more on stringent customer screening criteria while prioritizing sustainable assistance measures – particularly for small and micro businesses as well as retail customers – while also seeking to acquire customers with stronger financial status and sound debt servicing ability. Moreover, KBank has policy to integrate climate-related risk - which may affect customers' business operations through physical risk and transition risk, - as one of the factors for credit underwriting process and use it as one of the components in assessing impacts on the Bank's credit portfolio.

KBank also focused on portfolio management to maintain credit concentration within the established limits. Loan growth targets have been established in alignment with prevailing economic conditions, taking into account customer segments, product domains and industries, to maximize returns under a risk appetite. KBank has emphasized customers' early warning sign detection and behavior monitoring to ensure efficient monitoring, recovery and collection processes. Moreover, KBank has managed to appropriately set aside provision to cover expected credit loss, which is in line with our prudent business operations amid ongoing economic uncertainties and the protracted COVID-19 pandemic.

#### **Credit Risk Management Policy**

To achieve sustainable growth, our credit strategy focuses on a balance between portfolio value creation and protection within our risk appetite. Credit policy and related credit procedures must comply with this strategy and must be in line with laws, regulations, the Bank of Thailand's fair lending management guidelines, the government's policy adjustment and the plan that focuses on United Nations Sustainable Development Goals (SDGs), including how to cope with climate change impacts that may have on business operations in terms of risk and business opportunity.

KBank reviewed credit risk management policy, accounting for impacts on the environment and society, including the launch of new products and services and operations in atypical circumstances such as management to mitigate impacts of COVID-19 on our customers, to ensure that all our customers, especially SMEs, can continue to operate their businesses with our suitable credit quality management. We have improved standards and guidelines for credit extension that are now more conducive to KBank's sustainable growth. Such revisions were monitored for their impacts on portfolios and updated for reference in KBank's database available to relevant users, covering criteria for credit granting, credit management process, and credit risk management tools.

#### **Credit Risk Management Process**

The COVID-19 pandemic has wide-ranging, devastating impacts. Given the high uncertainty, KBank has closely and continually monitored our customers and provided relief measures for affected

customers along with assessment of business recovery trends under the prevailing circumstances to ensure effective risk management and prioritize assistance for our clients. We implemented appropriate aid measures for each customer segment in alignment with the government's guidelines. Noteworthy efforts in terms of assistance granted to customers included suspension of principal and interest payment, credit lines offered for liquidity enhancement, debt restructuring, soft loan facility and an asset warehousing program. Aside from close monitoring of borrowers under the relief measures, KBank focused on expansion of loans to customers with stronger financial status and sound debt servicing ability.

Moreover, customers' business operations may be affected by climate-related risk, including physical risk and transition risk regarding government policy, market and technology changes. KBank thus developed risk management processes accounting for these risks so as to minimize negative impacts or maximizing positive effects, as part of our efforts to assist our customers during the transition to a zero-carbon society.

A comprehensive credit risk management process, from portfolio management to recovery and collection, has been established. The process has been enhanced continuously and appropriately in line with international guidelines and practices so as to enhance business capability amid impacts from the COVID-19 pandemic while also contributing to collective actions in expeditiously addressing the climate change issues.

- **Portfolio Management**

KBank emphasized active portfolio management in order to proactively respond to prevailing circumstances, particularly volatility of economic factors that could affect our customers and our portfolio quality. Via Active Credit Portfolio Management (ACPM) and stress testing, KBank can manage, identify and prioritize assistance for customers so as to implement measures to aid each customer segment in a timely manner. Meanwhile, KBank has also focused on portfolio management so as to control credit concentration within the established limits. Close monitoring of customer risk profile across all customer groups was undertaken and establish the loan growth target in alignment with prevailing economic conditions, taking into account customer segments, product domains and industry outlooks, to maximize returns under risk appetite.

Moreover, KBank has assessed the impact of our credit support to various businesses. We also conducted analysis and assessment of risks, opportunities and climate-related impacts under various assumptions which have been used for planning and formulating portfolio management strategies. Lending targets and frameworks have been established based on business types while accounting for financed emissions in accordance with portfolio adjustment to support the transition to a zero-carbon society and create long-term sustainable returns to all stakeholders.

KBank adopted credit risk management mechanisms as follows:

- **Set up Credit Risk Management Sub-committee and Credit Process Management Sub-committee** The committees managed a balance between credit risks, and process efficiency, accounting for Environmental, Social and Governance (ESG) risk, to ensure effective risk management and consistency in credit processes, thus allowing KBank to deliver a good customer experience and to be in conformity with the responsible lending guidelines and the principles of a Bank of Sustainability.
- **Revise customer screening criteria on a regular basis to reflect customer risk profile.** Credit policy has been tailored for each customer segment. Industry pre-screening criteria, which can be used as a guideline for customer selection, have been established to classify customers based on sector risk levels.
- **Establish risk management mechanism in response to risk events which may affect our customers.** Early warning sign monitoring will trigger actions of responsible departments to assess impacts on affected customers and KBank by conducting in-depth analysis and stress testing. Thus, KBank shall be able to proactively prevent and solve any problems which may arise in a timely manner prior to deterioration of customers' debt servicing capability and overall credit quality of KBank.
- **Establish monitoring process for customers' credit line utilization and customer status via early warning signs.** Guidance has been provided for Relationship Managers (RMs) to contact customers at an early stage when early warning signs are detected.
- **Manage credit concentration risk** in terms of borrower group concentration, sectoral concentration and country concentration. Credit exposures are maintained within predetermined limits, which are in line with the Bank of Thailand's guidelines.

- **Credit Underwriting and Approval**

KBank has formulated lending policy to ensure uniformity of good credit underwriting practices and comply with the Bank of Thailand's guidelines. Guidelines for preferable and discouraged practices are also defined to ensure quality of credit extension.

KBank's credit risk management is based on current, transparent and qualified data. The credit approval processes and systems are designed to align with customers' characteristics. Medium and large business customers with sophisticated financial needs are served by relationship managers (RMs) with thorough understanding of customers' business and financial profiles. RMs are responsible for analyzing and proposing suitable credit products, services and limits to match customers' needs, presenting credit proposal to credit underwriters according to the defined approval authorities, and continual monitoring customer status.

For retail customers whose main products comprise home loans, credit cards and other types of financing, including loans for small and micro businesses, KBank deploys credit scoring as a credit approval tool, focusing on verification of income and liability information accuracy and



consistency of each customer. KBank has also focused efforts on credit approval process improvement, while ensuring risk levels under acceptable risk appetite.

Aside from the above practices, KBank realizes the importance of responsibility towards society and the environment in our credit underwriting. We do not support credit applicants or business types that are on the Exclusion List. Guidelines and policies for environmental and social impacts have been established for project finance requests at home and abroad, including project monitoring throughout the credit term. Moreover, commercial loan extension to SME and corporate customers must be undertaken via policy lending process with ESG assessment. In addition, KBank has developed sector-specific guidelines for assessment of environmental and social impacts.

- **Post-Credit Approval Operations**

To achieve standardized and efficient credit operations, KBank has centralized credit operations covering legal and contract-related arrangement, preparation of collateral agreements, credit limit setup, credit disbursement, credit-related document storage and credit data support. KBank also set up processes to monitor compliance with contractual conditions.

- **Impairment Losses of Financial Assets**

KBank has set aside allowance for impairment losses of financial assets by estimations of cash shortfalls based on the Thai Financial Reporting Standards, taking into account probability of default, the time value of money, consideration of all reasonable and supportable information, and macroeconomic forward-looking information.

- **Debt Quality Monitoring**

KBank has developed risk indicators to monitor and control asset quality, as well as credit-utilization behavior, as early warning signals to prevent deterioration in credit quality. Credit bureau data is used to support credit limit renewals and credit quality monitoring, thus achieving greater efficiency.

Regarding debt collection from large business customers, KBank assesses customers' credit status closely, using established indicators to ensure timely management prior to delinquency. KBank has also set up guidelines, such as those for credit review and limit suspensions, specific to each customer segment, according to segment risk characteristics. Regarding small and micro business as well as retail customers, KBank issued assistance measures for them while also establishing collection strategies to better respond to the varied risk levels of different customer groups. KBank managed customers in such a way as to prevent them from becoming NPLs, with a focus on swift and efficient management of recovery and collection.

- **Credit Policy and Process Review**

KBank has conducted a review of credit policy and process including credit proposal presentation, credit underwriting, contract preparation, credit review and asset quality monitoring and review, to ensure credit policy and process consistency and efficiency in alignment with regulatory requirements. KBank also utilized information from the review to support our credit management standard development.

- **Market Risk Management**

Market risk may arise from changes in interest rate, foreign exchange, equity and commodity prices, as well as credit spreads. These changes affect KBank's and K Companies' present and future income, capital, the value of financial assets and liabilities as well as off-balance sheet items. KBank engages in a consolidated risk management framework through development of essential infrastructures and processes for timely and appropriate management of the market risk of financial products. In addition, we have established product management process for both existing and new products based on the business plan, covering transaction objectives and processes, market risk-related factors, risk analysis and potential impacts as well as risk assessment and control guidelines.

In 2021, the global economy faced significant headwinds amid the COVID-19 pandemic that had differing impacts on each country. The resulting divergence in each nation's economic conditions triggered volatility, especially among core economies which greatly influence the overall global economy. Several countries faced surging inflation, especially amid soaring energy prices in line with the global economic recovery. Many central banks thus signaled the sooner-than-expected implementation of tightening monetary policy. Meanwhile, debt defaults of large Chinese property firms fuelled anxiety among investors, leading to capital and money market volatility.

Meanwhile, the Thai economy had to contend with volatility triggered by both domestic and international factors as earlier mentioned. Domestically, the severe and prolonged COVID-19 outbreak prompted the Baht to nosedive to Baht 33.99 per USD – the lowest level since 2018, reflecting economic stability issues. At the same time, the implementation of fiscal policy in the form of public welfare so as to aid pandemic-stricken people and businesses and bolster the general public's purchasing power could pressure the country's fiscal stability over the long term. Under these circumstances, Thai government bond yields saw volatile movements during the given period.

For the 2022 outlook, the global economy once more faces uncertainty, triggered by transmission of the new COVID-19 variant amid soaring inflation and possible hikes in the US policy rate. Close attention should be paid to the US-China rift which could affect the Thai economy, either directly or indirectly, in the midst of gradual normalization of Thai economic activity and the society.

- **Market Risk in Trading Book Activities**

KBank's trading activities are exposed to risks of interest rate, foreign exchange, equity and credit spreads. Moreover, KBank has chosen not to retain any position when dealing with commodity prices by managing market risk through a back-to-back policy. Our equity risk stems from equity underwriting and non-directional trading business, which we undertake only for serving customers' needs. KBank has processes in place to measure and control risks within the established limits, under the supervision and control of the Enterprise Risk Management Division.

- **Market Risk in Banking Book Activities**

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

- **Interest Rate Risk in Banking Book Activities**

Interest rate risk refers to risk incurred from changes in interest rates of assets and liabilities, as well as off-balance sheet transactions that are susceptible to interest rate fluctuations. These may, therefore, have an adverse impact on net interest income and economic value of KBank.

KBank manages its financial position to increase net interest income and economic value, based on adequacy of liquidity position. Therefore, KBank has established an interest rate risk management framework to ensure that our position is within the pre-specified risk limits, and that the impact of interest rate changes on net interest income or economic value of KBank is under control.

Moreover, KBank continued to closely monitor movements of interest rates and customers' behaviors to ensure the maximum efficiency in financial position and risk management.

KBank continually monitors interest rate risk in banking book activities by assessing interest rate risk gap to evaluate net interest income sensitivity over the next 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

(Unit: Million Baht)

For the Year Ending	Dec. 31, 2021
	+100 bps
THB	(2,263)
USD	(40)
CNY	(281)
Other Foreign Currencies	(162)
<b>Total Effect of Interest Rate Change</b>	<b>(2,746)</b>
<b>% of expected Net Interest Income (NII) in the next 1 year</b>	<b>(2.83)</b>

### ➤ Equity Risk in Banking Book Activities

KBank is exposed to equity risk from investment in equities, either directly or indirectly via funds. We have complied with regulations and procedures of relevant government agencies under the established risk framework. However, KBank has no policy to increase investments on equity that are not related to our financial business operations. Data analyses and close assessments of relevant events have been employed in order to manage equity investment to ensure maximum benefit of KBank.

### ➤ Foreign Exchange Risk in Banking Book Activities

KBank is exposed to foreign exchange risk incurred from our overseas operations, investment and any activities related to banking book which incur foreign exchange exposure. KBank has chosen not to retain foreign currency position stemming from such activities, except where there is market limitation of risk hedging, or for the purpose of appropriate cost management in risk hedging during certain periods. KBank has a monitoring process and control measures in place to ensure that risk is within an acceptable level. Foreign exchange risk management is under supervision of the Assets and Liabilities Management Sub-committee, with the goal of obtaining the most effective cost management under the risk limits approved by the Risk Oversight Committee and the Board of Directors.

### □ Liquidity Risk Management

Liquidity risk is defined as the risk caused by a failure to obtain sufficient funds at appropriate costs to meet obligations when they come due, and/or an inability to convert assets into cash.

Liquidity in the banking system during 2021 was ample because deposits saw stronger growth than net loans. Meanwhile, liquidity management at given periods may vary from bank to bank, depending on its liquidity position and management guidelines. KBank has been fully equipped with tools for appropriate liquidity

management both in terms of foreign currencies and Thai Baht to protect ourselves against any potential liquidity shortage. Aside from efficient monitoring of liquidity risk in light of situations that may incur risk indirectly, we have also adopted a Business Continuity Plan to guard against disruptions to essential operations and systems, allowing us to fulfill our obligations in the event of an emergency.

KBank has conducted liquidity risk assessment and analysis on a regular basis to ensure sufficient liquidity for our business operations through liquidity gap analyses, covering both normal and crisis situations, under three scenarios, i.e., liquidity crises that are either bank-specific, market-wide, or a combination of both circumstances.

KBank has also developed tools to assess and analyze liquidity risk that meet international standards including Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). Moreover, the Financial Conglomerate has developed tools for liquidity risk assessment and analysis on a continual basis in line with international standards. This allows us to devise an effective plan for overall liquidity management, including foreign currencies, along with review and revision of liquidity risk management processes and adjustment of our funding structure in response to changing market conditions and liquidity in the banking system. We determine appropriate strategies to maintain a suitable level of foreign currency liquid assets, consistent with growth in foreign currency deposits, and to guard against any heightened liquidity risk stemming from volatility in the global economy and fast changing financial markets, taking into account business growth potential.

Closely monitored factors that could affect our liquidity and interest rate risks include:

- Global and Thai economic outlook over the short and medium terms, including impacts from the US-China trade war and the COVID-19 pandemic
- Key policy rate trend of the Bank of Thailand and major central banks
- Direct and indirect foreign capital movements triggered by internal and external risks
- Intensified competition among financial institutions in savings and investment products that may affect overall liquidity in the banking system
- Increasing demand for loans which could generate pressure on liquidity in the system

## □ 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 has thus placed importance on operational risk management through the development of policies and operational risk frameworks to enhance our operational risk management as a unified standard, prompting enhancements that allow us to assess risk and proactively seek preventive measures.

In 2021, KBank focused on strengthening operational risk management in various key areas to assure that customers will continually receive fair service and treatment and align with customer requirement under prudent and efficient risk management process. Key focus areas cover the establishment of proactive risk management amid the COVID-19 pandemic to ensure business continuity, the enhancement of product management throughout product cycle, the development of business partner and the third party risk

management, improvement of system interface or access to data of customers or KBank, strengthening risk-related functions to be more integrated and efficient, and enhancement of market conduct management to ensure that customers receive fair service and treatment through efficient and practical process and management.

KBank has put in place Bank-wide climate-related risk consideration process, namely the identification, assessment and mitigation of climate-related impacts on KBank, to ensure business continuity and the protection of the lives and property of our customers, employees and other stakeholders. Risk consideration process has been undertaken as part of the overall risk management procedure every year or more than once a year to keep abreast of the latest trends, ensuring that we can cope with climate-related risks in a timely manner. In detail:

1. Risk identification: To identify the risk event and/or major climate-related threats, both physical and transition risk, based on the megatrends and related rules and regulations.
2. Risk assessment: To assess the overall risks in three levels, i.e., high, medium and low, by assessing risk impact, likelihood and effectiveness of control.
3. Risk management: KBank has in place risk management in order to prevent, monitor and response with risks. Regarding high-level risk, additional analysis will be conducted for prevention and rectification or further establishment of risk management measures. Moreover, KBank has prepared a business continuity plan (BCP) and IT disaster recovery plan (IT DRP) to cope with climate-related risk incidents that may affect our work and business operations.

#### **□ Digital Risk Management**

Digital risk refers to risk that may arise from financial service via digital channels, data management, cyber threats and the use of IT to support business operations. It may come from internal or external factors, possibly having adverse impacts on, or causing financial or non-financial losses to, KBank and our customers, either directly or indirectly.

Guided by the strategy of being at the forefront as a digital banking service provider in Thailand, we prioritize customer confidence and service security. Recognizing the importance of digital risk management, we have put in place measures for managing relevant risks under an operational risk management framework, and established additional IT risk management policies and framework to ensure standardized management that allows us to stay ahead of, and be able to efficiently and effectively cope with, sophisticated risk situations for enhanced efficiency in work processes, control and systematic risk management in line with related international standards such as ISO 27001 and ISO 31000, in accordance with the Bank of Thailand's policies and best practices.

In 2021, KBank conducted risk assessment and revised a plan for development of digital risk control system to be consistent with cyber threats and past performance. Significant risks include risk incurred from operations and IT that accommodate innovative financial services and products or new channels to respond to

customers' needs, heightened risk in linkage with business partners, adoption of innovative technology to services, various types of cyber threats which have more severe impacts, as well as change in rules and regulations which become ever more stringent.

Overall, risk management focuses on risk controls for prevention, detection, response, recovery and creation of a cyber hygiene culture. The risk controls covers four areas including governance, policies, processes and technology, and people and culture. Key process can be summarized as follows.

- **Governance:** The Risk Oversight Committee is responsible for supervising risk management in alignment with risk management policy and strategy within the risk appetite.
- **Policies:** We have reviewed and revised relevant policies to be consistent with our organizational structure, our business vision, regulatory requirements, as well as capability to efficiently cope with present and future threats.
- **Processes and technology:** We have been given priority to continuous improvement of our information security management in both financial transactions and services, while also bolstering the capability to protect ourselves from advanced threats. Along with this, we have implemented data leakage preventive measures to protect our customer data.
- **People and culture:** KBank has bolstered personnel capabilities in line with our business directions, new risks and threats. We have emphasized the creation of a cyber hygiene culture and confidence of KBank's cyber security among four personnel groups, i.e., the Board of Directors and senior management, employees, customers, business partners and suppliers of KBank, via communications in different formats to keep them abreast of cyber risks as well as provision of knowledge related to best practices. In addition, the phishing drill exercises have been conducted to test how employees respond to phishing emails and fraudulent websites to ensure that they can identify phishing threats and can properly cope with them for efficient prevention.

#### □ **Strategic Risk Management**

Strategic risk refers to risks that arise from formulation and implementation of strategic and business plans that are unsuited to and inconsistent with internal factors and the external environment, which may affect earnings, capital fund or KBank's stability. KBank thus places emphasis on the integration of strategic risk management into the organization's strategy formulation and implementation process. The process begins with systematic data collection and analysis for use in review and determination of appropriate Bank-wide strategies, which are then translated into those for business and support units, and objectives and key results (OKRs). It also involves efficient resource allocation, organization-wide communication of strategic plans, establishment of clear operational plans and monitoring processes, as well as identification of problems and solutions.

For 2021, the key factor that significantly affected strategic risk was uncertainty stemming from the prolonged COVID-19 pandemic that became more severe than what was seen in 2020, thus causing economic

activity across multiple. Meanwhile, the Bank has been exposed to operational risk incurred from compliance with government policies, including new rules and regulations and standards concerning the supervision of financial institutions, in order to extend assistance to pandemic-hit businesses and retail customers amid volatilities in global capital flows, caused by divergent recoveries across many countries, especially core economies.

KBank prioritizes strategic risk management in times of uncertainty. Our strategic risk management can be divided into two parts, as follows:

- **Strategic Risk Management for Strategic Content:** Key Risk Indicators (KRIs) for Strategic Content have been set up to enable us to review and adjust Bank-wide strategies as well as business units' strategic plans appropriately and in a timely manner amid changes in external and internal environments which affect business operations, including anticipation of upcoming changes for better preparedness regardless of circumstances.
- **Strategic Risk Management for Strategy Execution** is conducted by:
  - Preparing monthly financial performance reports and semiannual Balanced Scorecard (BSC) reports; we also arrange meetings regarding our strategies to address and manage specific issues, in order to achieve unified solutions.
  - Preparing and reporting performance of the business and support units and objectives and key results on a quarterly basis as a gauge for our practical guidelines, thus aligning with the established strategic plans.
  - Establishing KRIs for strategy execution which cover KBank infrastructure and resources.



### 3. Business Directions and Operations of Core Businesses

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#### 3.1 Sustainable Development and Corporate Governance

##### □ Sustainable Development in Action<sup>3</sup>

In 2021, the Board of Directors reviewed the sustainable development framework and policy, long-term goals, business plan while also approving key messages for communication to the general public under our Net Zero Commitment as follows:

1. KBank aims to empower every customer's life and business. We support our customers in the transition to a net zero economy. Sustainability is deeply ingrained in how we serve our customers and manage our operations.
2. We are committed to supporting Thailand and our clients in regional economies on their decarbonization journeys. We will contribute to the global effort to transition to net zero emission by 2050 and will align with the Paris Agreement goals.
3. We are committed to be the leading sustainable bank in Thailand, allocating at least Baht 100-200 billion in sustainable financing and investment by 2030 and pioneering green banking products.
4. We commit to becoming net zero in our own operations (Scope 1, 2) by 2030. We commit to achieving net zero in our financed portfolio in line with Thailand's aspirations, accelerating this journey where possible. We will continually assess opportunities to take earlier actions as the technology, regulatory environment and external context evolves.

Moreover, KBank organized training courses to equip related employees with knowledge about climate change on a continual basis. We also worked with experts from domestic and international organizations in bolstering employee potential for management of climate change-related risks and opportunities.

##### □ Corporate Governance

KBank is determined to operate our business in line with good corporate governance principles. We emphasize corporate governance practices, which encompass transparency, accountability and business ethics, taking all stakeholders into account with the aim of becoming a Bank of Sustainability. Our major Corporate Governance operations in 2021 included review of Vision, Purpose and Core Values by adding integrity as a part of our Core Values, and review of corporate governance policies and guidelines for enhanced efficiency in conformity with the Corporate Governance Code for Listed Companies of the Office of the Securities and Exchange Commission and international best practices. Moreover, authorities, duties and

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<sup>3</sup> More details on sustainable development and materiality for KBank can be found in the Sustainability Report 2021.

responsibilities of the Board of Directors, the Audit Committee and the Human Resources and Remuneration Committee were revised to cover sustainable development undertakings.

Meanwhile, KBank aims to promote good corporate governance culture as our organizational culture and to ingrain it in the operations of our employees at all levels. To this end, KBank has arranged communications and training courses for directors, executives, employees of KBank and companies within KASIKORNBANK FINANCIAL CONGLOMERATE on the Statement of Corporate Governance Principles, the Code of Conduct and the Anti-Corruption Policy and revised the means of acknowledgment of compliance with the Code via e-Learning system, as well as conducting the test before their acknowledgment of compliance with the Code. We have also communicated various topics on the Code of Conduct via electronic system throughout the year to ensure compliance among our executives and employees, whereas training courses on the Code and the Anti-Corruption Policy were arranged via e-Learning system to promote understanding among our executives and employees so that they perform their duties with responsibility and in a correct and proper manner. An assessment on understanding of the Code was also conducted with executives and employees of P Companies to ensure that they understand the Principles and Guidelines of the Code of Conduct. Moreover, KBank has arranged an annual communication with our suppliers to encourage them to comply with Anti-Corruption Policy and practices and to participate in the anti-corruption network.

### **3.2 Business Directions of KASIKORNBANK and the Wholly-owned Subsidiaries of KASIKORNBANK in 2021 and Outlook for the Next Five Years**

KASIKORNBANK has established business directions and strategic plans, according to the principles of a Bank of Sustainability, accounting for the balance of three dimensions – environmental, social and governance – under good corporate governance, appropriate risk and cost management. In order to empower every customer's life and business, we prioritize offering total solutions, with attentive and inclusive services anytime, anywhere, responsive to the needs of customers and society as a trustworthy service provider under the single brand of KASIKORNBANK. Our endeavors are achieved through collaboration and synergy with other companies within KASIKORNBANK FINANCIAL CONGLOMERATE, startup firms and our business partners.

In alignment with the K-Strategy that aims to foster a sustainable bank, KBank focuses on development of competitive capabilities in a technology-driven business world that goes beyond banking and innovation. In parallel, we have built upon our traditional banking business in order to improve customer responsiveness and strengthen our service experience in sync with the ever-evolving technology, consumer behavior and environment. Our strategic imperatives are as follows:

- **Dominate Digital Payment across all platforms with the aim of embedding in customers' ecosystems:** Focus is on development of payment innovations both domestically and internationally to comprehensively meet the needs of business and retail customers with enhanced security and reliability. We also leverage data analytics to gain insights for the appropriate delivery of products and services.

- **Reimagine Commercial and Consumer Lending:** We have conducted data analytics based on financial transaction data of our customers and suppliers within business chains in order to acquire customers with sound debt servicing ability who are interested in borrowing and offer products that meet their needs through appropriate channels. For instance, we have introduced digital lending with the aim of expanding low-income retail customers while also considering risk-based pricing to ensure cost effectiveness and enhanced risk management efficiency.
- **Democratize Investment and Insurance targeting previously inaccessible groups:** To serve our business and high net worth individual clients, our Relationship Managers (RMs) are always on hand to provide advisory services guided by our customer centricity strategy along with collaboration within KASIKORNBANK FINANCIAL CONGLOMERATE and our business partners. For low-income retail customers, KBank has developed investment platforms to facilitate them in making informed decisions from the perspective of cost-effectiveness.
- **Penetrate Regional Market to access customers in other AEC+3 countries through three strategic plays:** They are
  - (1) Aggressive Play in order to expand our loan products to corporate customers through regional connectivity, especially Thai-Chinese clients in the People's Republic of China and local large corporate (LLC) customers within the AEC region;
  - (2) Mass Acquisition Play that aims to expand our customer base via collaboration with our partners in the People's Republic of China and development of digital channels for financial transactions in the AEC region, focusing mainly on the Socialist Republic of Vietnam;
  - (3) Disruptive Play through development of technological infrastructure to accommodate our venture into the digital lending space, especially by processing customers' data based on their transactions with our partners, and transactional banking services provided by KBank. A risk engine has also been developed, allowing us to adopt the lending-as-a-service model in both the People's Republic of China and the Socialist Republic of Vietnam.
- **Strengthen Harmonized Sales and Service Experience:** By seamlessly integrating all service channels of KBank into those of our partners, customers can conduct transactions anytime, anywhere with our sales and service formats that are suited to each customer's demands.

Meanwhile, we focus on enhancement of end to end work efficiency in order to improve value-based productivity by optimizing human resources, data, financial and technological capabilities with the aim of elevating our long-term competitiveness through the eight transformation journeys as follows:

1. Ecosystem Partnership & Harmonized Channel: Orchestrating ecosystems with partners and providing excellent experiences throughout customer journeys
2. Intelligent Lending: Leveraging customer data to offer a personalized lending experience and achieve fair, risk-adjusted returns

3. Proactive Risk & Compliance Management: Proactively identifying potential risks and establishing loss prevention and detection
4. Regional Payment and Settlement
5. Data Analytics: Expanding data analytics capability to enhance business opportunities and operational efficiency
6. Cyber Security
7. Performing Talent and Agile Organization: Developing employee potential in the drive towards an agile organization
8. Modern World-Class Technology Capability: Adopting modern world-class technology to make KBank the top regional financial service provider

KBank has established concrete and continual practical guidelines to drive organizational success. We prioritize purposeful and practical leadership and K-Culture which directs employees' attitudes and behaviors towards a shared goal. We adhere to our Core Values, i.e., Customer at Heart, Agility, Collaboration, Innovativeness and Integrity, while also creating a strong brand that meets the expectations and needs of all stakeholders, namely customers, the general public, investors, organizations, mass media and our employees.

KBank's business strategy prioritizes the needs of all customer segments. Our endeavors for each business are as follows:

**(1) Retail Business** – Focusing on Customer Centricity: KBank has employed data analytics in developing products and services that can meet each individual customer's needs. We have placed emphasis on the seamless integration of physical branches and digital channels for the best customer experience. Along with this, we have created a business ecosystem through collaboration with our partners in various businesses to develop multiple products that accommodate every aspect of their lives while also bolstering their competitive capabilities over the long term for sustainable growth. We aim to increasingly extend loans to retail customers via channels of KBank and partners, and promote saving and investment to the general public. Moreover, our focus has been on improvement of private banking service quality to be on par with international standards in three major areas, i.e., advice, products and excellent services, in order to meet the needs of our high net worth individual clients across all dimensions of wealth, ranging from planning to growth, preservation and transfer.

**(2) SME Business** - Becoming a Total Solution Provider for our SME customers: We have prudently expanded our customer base with emphasis given to asset quality management to ensure the sustainable business growth of both our customers and KBank. To this end, focus is on solid teamwork among our Relationship Managers (RMs), who are well-versed in KBank products, and branch officers who have in-depth understanding of our customers' businesses and their needs. Along with this, we have deployed innovative digital technologies and data analytics to support our customers' business operations in all aspects through financial and knowledge-based assistance and business networking.

**(3) Corporate Business** - Meeting all of our corporate customers' business needs: Emphasis has been on funding support and advisory services on fund mobilization among our corporate business customers to ensure their

cost effectiveness under appropriate risk management. Along with this, we have provided staunch support for their transactions via all formats of electronic channels, while focusing on the offering of products and services responsive to all parties, including customers, suppliers, business owners and employees throughout the business ecosystem, for increased competitiveness and effective business management in a comprehensive manner. These efforts are aimed at maintaining our status as customers' Main Operating Bank.





To maintain our status as a leading financial institution and to cope with economic volatility in a timely manner, KBank emphasizes good corporate governance and strict compliance with related rules and regulations. We have established efficient capital management while formulating proactive and integrated risk management principles and policies and a risk-aware culture Bank-wide. These operations have been undertaken in order to accommodate policy guidelines and measures of the Bank of Thailand and other regulatory agencies, ensuring that we can strictly comply with the standards while also driving the Bank towards sustainable growth.

## The K-Strategy

### KASIKORNBANK Vision, Purpose and Culture

Vision	<b>BANK of SUSTAINABILITY</b>			
	"KASIKORNBANK aims to be the most innovative, proactive, and customer centric financial institution, delivering world class financial services and sustainable value for all stakeholders by harmoniously combining technology and talent"			
Purpose	<b>To Empower Every Customer's Life and Business</b>			
Customer Promise	Total Solution	Attentive & Inclusive	Any Time & Any Where	Trustworthy
K-Culture	<b>A PIONEER FOR THE BETTER, A STEP AHEAD FOREVER</b>			
	Customer at Heart / Collaboration / Agility / Innovativeness / Integrity			
Leadership	<b>PURPOSEFUL and PRACTICAL LEADERSHIP</b>			

### K-Strategy aims to be sustainable and the most customer-empowerment bank

Purpose	<b>To Empower Every Customer's Life and Business</b>			
Sustainable Development	<b>Sustainability</b>			
	ESG	Beyond Banking & Innovation	Strong Brand	
Growth Strategy				
	Dominate Digital Payment	Reimagine Commercial & Consumer Lending	Democratize Investment & Insurance	Penetrate Regional Market
	Strengthen Harmonized Sales and Service Experience			
	Improve Value-Based Productivity			
Key Capabilities	<b>8 TRANSFORMATION JOURNEYS</b>			
	1. Ecosystem Partnership & Harmonized Channel	2. Intelligent Lending	3. Proactive Risk & Compliance Management	4. Regional Payment & Settlement
	5. Data Analytics	6. Cyber Security	7. Performing Talent and Agile Organization	8. Modern World Class Technology Capability

### 3.3 Customer Segments and Services

KBank and K Companies continued to prioritize the Customer Centricity strategy. We monitored the impacts of the COVID-19 pandemic on customers, which varied according to their business and income level, including changes in consumer behavior and demand that have served as catalysts for technological development, in both the financial and non-financial realms. In 2021, we thus focused on providing assistance, either directly or indirectly, to all groups of our customers reeling from the viral transmission so that they could sustain their lives and businesses amid uncertainty. Moreover, we provided attentive and inclusive services that respond to the demands of both customers and society anywhere, anytime, as a trustworthy service provider and the main operating bank of customers.

#### ■ Retail Business

KBank prioritizes the use of data and data analytics to gain customer insights, allowing us to offer products and services that meet their needs. Major initiatives were as follows:

**High Net Worth Individual:** We prioritize the leveraging of our investment expertise to give happiness to our customers who can live a worry-free life and enjoy Perfect Wealth – our service philosophy. KBank developed the KPB YouTube Channel in order to promptly deliver information to our customers amid restrictions from the COVID-19 outbreak. New services were designed specifically for our clients, namely, KPB What's Next featuring short videos that provide an update on investment situation together with appropriate advice on a weekly basis, and KPB Game Changer that gives customers briefings on the new economy and S-Curve industries, or the future industries that come with new investment opportunities. Meanwhile, our private bankers are on hand to offer advisory services to sophisticated customers, with our focus on leveraging KBank's investment expertise in driving our customers to achieve the perfect wealth.

In 2021, KBank continued to adhere to the key "3S" investment strategy for KBank Private Banking service. We prioritized the offering of investment formats suited to the customer's target and the prevailing circumstance in the midst of challenges stemming from uncertainty in the investment market both at home and abroad. The "3S" strategy comprises:

1. Sustainability: Focus has been on businesses with responsibility for environment so as to generate long-term sustainable returns. One notable initiative was the launch of K Sustainable Long-Short Fund Not for Retail Investors (K-SUSTAIN-UI) that invests in businesses focusing on sustainability trends. Along with this, we continued to promote existing sustainability-themed funds, namely K Positive Change Equity Fund (K-CHANGE), K Global High Impact Thematic Equity Fund (K-HIT), and K Climate Transition (K-CLIMATE). Emphasizing sustainability for investment portfolios, KBank worked with KASIKORN ASSET MANAGEMENT Co., Ltd. and Lombard Odier in developing K All Roads Fund Not for Retail Investors (K-ALLROAD-UI) which can generate returns in any circumstances and is a core fund under the K-Alpha portfolio – a recommended portfolio that can create consistent returns over the long term.

2. Sharing: We emphasize asset management for public charities in order to generate positive impacts on society. In 2021, KBank provided support to more than 100 foundations and public charities, allowing them to undertake activities, organizational and funds management with enhanced efficiency.

3. S-Curve: Focus has been on new investment formats to ensure attractive returns for our clients. In 2021, KBank recommended that customers invest in structured notes, which proved to be an appropriate alternative investment vehicle amid sideways movement in the stock market. In addition, our clients were advised to embrace non-capital market solution and multiple mutual funds to increase opportunity to gain returns from assets with low volatility.

**Affluent:** KBank introduced Whole Life Insurance 80/4 that provides long-term coverage with short-term premium payment for customers with savings potential who wish to establish financial security for their family. The insurance policy offers cash benefit of one percent of the sum insured from the fourth year until the contract maturity.

**Middle Income and Mass:** We launched new products and services as follows:

- “Pay when sick IPD+OPD” life and health insurance plan: This insurance product with lower premiums than other insurance plans provides coverage for both Inpatient Department Treatment (IPD) and Outpatient Department Treatment (OPD) patients, with daily compensation for work absence due to illness, including COVID-19. Customers can sign up for this product online by themselves.
- KBank x PEANUTS Debit Card: The launch of this debit card featuring cute cartoon characters aims to expand our debit cardholder base while also encouraging existing debit cardholders to replace their present cards. Upon application, cardholders receive a PEANUTS-themed debit card, a savings account passbook and a K PLUS themed deposit featuring the PEANUTS gang. Cardholders can redeem their K Points earned from their application and spending for Snoopy Limited Edition premiums via K+ market. Moreover, new customers who open K-eSavings x PEANUTS are entitled to a deposit rate of up to 1.50 percent per annum.
- K PAY LATER personal loan: The personal loan offers customers credit lines of Baht 2,000-20,000 for making bill payment, with repayment period up to five months and interest rate of not more than 25 percent per year. Application can be made via K PLUS with approval granted within just three minutes. Upon approval, customers can scan QR code to pay for goods and services via K PLUS.
- New services on K+ market via K PLUS: They included electric EV bike rental service to ease expense burdens of food delivery riders and bolster income for those affected by the COVID-19 crisis. The initiative, jointly launched with H SEM Motor Co., Ltd., Property and Innovation Management (PMCU), Chulalongkorn University and foodpanda (Thailand) Co., Ltd., aims to promote the use of electric motorcycles as part of our effort to encourage the public to embrace clean fuel energy to combat air pollution. Moreover, KBank teamed with Central Department Store



to offer a wide selection of Central products at K+ market on K PLUS with payment allowed via KBank deposit or K Points and The 1 points.

- Promotion of YouTrip Multi-Currency Card: We focused on promoting the use of this digital wallet while waiting for tourism to improve as soon as the COVID-19 pandemic wanes. To this end, KBank launched a promotional campaign with pricing strategy through the offering of competitive foreign exchange rates to attract customers to exchange currencies for online purchase of goods and services, as well as a waiver of all types of fees, including application and annual fees, and withdrawal fees at ATMs abroad.
- Promotion of e-Donation: KBank continued to promote the “e-Donation on K PLUS – Happy Giving” program wherein KBank contributed Baht 9 for donations of not less than Baht 99, and those donating at least Baht 99 per occasion via K PLUS were entitled to 50 K Points.

#### ■ SME Business

Aspiring to be a Total Solution Provider for our SME customers, KBank is determined to support clients beyond banking solutions in order to bolster their competitiveness. Major initiatives were as follows:

- Development of K Biz – a new and modern look for the online banking website: We have developed K Biz to provide one-stop service for SME clients in their financial management with enhanced security standards – on par with those of K PLUS. This online banking website provides bulk funds transfer, cheque management, statement inquiry and international funds transfer. Funds transfer transaction limit can be set at Baht 5 million per day, while own account funds transfer linked to K Biz can be made via K Biz up to Baht 30 million a day.
- Xpress loan for business customers via K PLUS: The loan can be applied for with no collateral, personal guarantee or commercial registration required. Applicants can get approval within just 15 minutes and loan limit up to Baht 1 million with loan repayment period of not more than 60 months and fixed interest rate of not more than 25 percent per year.
- Expansion of payment service on K PLUS shop: The service is designed for both physical and online stores to accept e-payment and QR API, which accommodates payment in various forms, including Thai QR Payment, QR code of credit cards, Alipay and WeChat pay e-wallets for Chinese customers as well as mPOS (Mobile Point of Sale) under PCI SPoC – a world-class security standard for card payment. In addition, the service can accommodate QR payment made with K Points and installment payment for goods and services under K PAY LATER. The “Use QR to Fight COVID – No Need to Carry Cash or Card” marketing campaign was continually implemented for targeted merchants.
- Development of K-Merchant: We promoted and increased the number of Android Electronic Data Capture (Android EDC) machines to ensure their adequate availability and thus accommodate

rising transactions after lockdown measures were eased in the final quarter of 2021, especially at gas stations and coffee shops under PTT Public Company Limited.

Meanwhile, KBank has prepared to classify the risk level of merchants in alignment with the Bank of Thailand's policy guideline on Know Your Merchant (KYM), effective January 1, 2022. This clearly defined policy guideline will allow commercial banks to efficiently conduct risk monitoring and thus avoid potential losses in a timely manner.

- Development of Blue CONNECT service: KBank has teamed with PTT Oil and Retail Public Company Limited to develop a payment channel via Blue CONNECT which allows customers to sign up for K PAY LATER to make payment for fuel purchase at PTT service stations via Blue CONNECT. The credit line will then be extended to other stores under PTT Public Company Limited.

#### ■ Corporate Business

KBank prioritized the offering of products and services that comprehensively meet the needs of customers in terms of their business operations, suppliers, owners and employees. We aimed to enhance their competitive capability and business management efficiency while also maintaining our status as their Main Operating Bank. Meanwhile, we continued aiding pandemic-stricken clients in accordance with the Bank of Thailand's guidelines and other assistance measures initiated by KBank to help them maintain their liquidity.

In 2021, KBank launched new online services, namely (1) e-Withholding Tax (e-WHT Solution) which submits tax data and payment via KBank when payment is made to recipients both at home and abroad, thus helping to streamline relevant processes and slash costs for customers; (2) Payment Link - the initiative that allows merchants to generate their own payment link to send to customers for payment via credit card, debit card and/or Thai QR PromptPay, through which merchants receive immediate notice of payment confirmation; and (3) Development of KBank Fleet Card Online Self-Service that facilitates customers' representative in conducting transactions by themselves, including change to conditions for use of card, card suspension and issuance of a new card, etc. via KBank's online system, with no need to submit an application form or support documents.

KBank focused on encouraging customers to use services and conduct transactions via electronic channels to provide them more convenience and uninterrupted service amid the COVID-19 control and prevention measures while also helping them cut costs and transaction times. Notable services include payment via K-Cash Connect Plus and issuance of letter of guarantee via K CONNECT-LG, together with continuous technological development to accommodate rising transaction volume.

### 3.4 Service Channels

In 2021, KBank focused on providing seamless online and offline services of both KBank and our business partners to ensure a positive customer experience anywhere, anytime. We have orchestrated ecosystems with partners while also developing our core service channels for enhanced efficiency in accessing customers to deliver them excellent services with the greatest cost effectiveness.

#### 1. **Branch Network:** Key initiatives for branch network management in 2021 included:

- **Domestic branch network:** KBank focused on all service channels which provide value proposition through multiple services in harmony with customers' daily needs for a seamless customer experience anytime, anywhere. Along with this, we expanded service channels while also branching out into other provinces. We continued to focus on consolidating branches to reduce redundancy, especially those with relatively low traffic – totaling 21 branches – to ensure that the available number is appropriate for broader service coverage. Along with this, we adjusted branch models to align with customers' needs in each area. In 2021, our services were available at 15 hybrid branches which offered self-service electronic machines, five K PARK locations, as well as two mini-branches which share the space of our business partners. Moreover, we supported the application of technology for development of services and internal processes within branches for enhanced efficiency and appropriate cost management along with a harmonized sales and service experience in line with consumers' increased use of digital channels.

Moreover, KBank Service locations were added via new banking agents, including electrical appliance stores under Thaweeyont Marketing Co., Ltd., cosmetic retail shops under Central and Matsumoto Kiyoshi Co., Ltd., Tops Supermarket under Central Food Retail Co., Ltd., and Tesco Lotus under Ek-Chai Distribution System Co., Ltd. We also expanded the scope of services via our banking agents for broader coverage of transactions, including cash deposit and withdrawal, bill payment and identity verification, along with an increase in service points for cash withdrawal from K PLUS via Boonterm kiosk. In parallel, we focused on continually promoting awareness of KBank Service among customers.

Meanwhile, KBank's foreign exchange booth service was gradually resumed at airport terminals and other areas where the number of foreign tourists increased significantly – totaling 19 locations. Moreover, eight automated currency exchange machines are now available after the improvement in the COVID-19 situation at home and the government's measures to reopen the country to international tourists during the fourth quarter of 2021. At the same time, KBank promoted the use of YouTrip Multi-Currency Card – a digital wallet that accepts multiple currencies for travelers. We launched a marketing campaign to encourage customers to exchange their foreign currencies for purchase of goods and services online while travel abroad is discouraged. In addition, KBank is now developing a new channel for currency exchange, including other services to be aligned with spending behavior and comprehensively meet the needs of foreign travelers.

- **International Branch Network:** KBank has set our sights on becoming the Regional Digital Bank by focusing on insights into market characteristics of each country. We have thus established a three-pronged strategic plan aimed at expanding our regional presence as follows:

1. Provision of corporate lending to local customers
2. Joint investment with local partners to create a digital banking platform accessible to mass market customers
3. Use of the Banking as a Service (BaaS) model to provide solutions and technological platforms for partner companies. To this end, KBank set a long-term plan of creating an online platform for small-sized local banks which lack expertise in developing their own systems.

Currently, KBank has an overseas branch network of 17 branches in eight countries, namely the People's Republic of China, Lao People's Democratic Republic, Kingdom of Cambodia, Socialist Republic of Vietnam, the Republic of Indonesia, the Republic of the Union of Myanmar, Japan and the Cayman Islands (United Kingdom Overseas Territory). Meanwhile, we have fostered partnerships with other financial institutions within and outside the AEC+3 region, totaling 82 partnerships across 16 countries.

Moreover, we have focused on expanding our electronic service channels abroad. Notable initiatives in two countries are as follows:

- QR KBank, an e-wallet application available in Lao People's Democratic Republic: This service is the first such service to be made available by a Thai commercial bank under the "Convenience for Both Sellers and Buyers with Top-up, Payment, Funds Transfer and Withdrawal" concept. In 2021, KBank added a feature for international funds transfer between Lao People's Democratic Republic and Thailand via QR KBank. We have also conducted field studies on local consumers' behaviors in order to expand the service for nationwide coverage to ensure that customers can access financial services with greater convenience and affordability. Currently, there are more than 130,000 QR KBank users in the country, with a total of 1.88 million transactions worth over LAK 630 billion.

KBank has also launched withdrawal and funds transfer service via ATM in the country. A total of 30 ATM terminals have been installed to provide services to holders of ATM cards issued by members of the Lao National Payment Network (LAPNeT). At present, KBank is the only Thai bank that is a member of this network. Moreover, the ATM service accommodates cash withdrawal via QR KBank application.

- Payday Loan via Wing Mobile application in Kingdom of Cambodia: KBank has provided Salary Advance – a payday loan product via our partner to promote greater access to loan products among Cambodians while also cutting their burden of high-interest informal loans. In the initial phase, the service is available for customers in Phnom Penh and Kandal Province. It is expected to attain nationwide coverage within two years. There are now more than 4,000 users with loan extended of over USD 950,000 or equivalent to Baht 30 million approximately.

### Branches and Financial Service Network

Domestic	Number of Locations		International	Number of Locations	
	2021	2020		2021	2020
Branch Network <sup>1)</sup>	839	860	Branches of Locally Incorporated Institutions	6	6
Foreign Exchange Booth	67	75	KASIKORNTHAI BANK LIMITED (Lao PDR)	2	2
THE WISDOM	95	95	KASIKORNBANK (CHINA) CO., LTD.	4	4
SME Business Center <sup>2)</sup>	156	167	Branches	4	3
International Trade Service Center	58	58	Representative Offices	7	7
Cheque Direct Service	21	21			

Note: 1) Excluding six branches classified as other branch platforms per the Bank of Thailand's conditions

2) More than one SME Business Center may be located in a single branch.

## 2. Electronic Network:

- **K-ATMs and K-CDMs:** Location of machines has been a major focus with sufficient service points to ensure broader coverage and meet customers' needs. Along with this, we prioritized machine efficiency enhancement for improved access to KBank services. To this end, we added a menu option for loan application on K-ATM while customers can sign up for loan immediately via QR code which will be displayed automatically when they have insufficient balance in their account for withdrawal. Meanwhile, we introduced a special button for withdrawal transactions, specifically designed for the visually impaired to provide them greater convenience. Our self-service machines also offer prompts in multiple languages for our foreign clients. Emphasis has been placed on round-the-clock financial services and security systems for self-service transactions.

### Electronic Banking Services

Electronic Banking Services	Number of Units	
	2021	2020
Self-Service Channel (K-ATM and K-CDM)	10,911	10,981
K-ATM (Automated Teller Machines)	8,960	8,389
K-CDM (Cash Deposit Machines)	1,951	2,592
K-PUM (Passbook Update Machines)	979	1,004
Automated Currency Exchange Machines	8	9

- **Digital Banking Services:** To maintain our leadership in digital banking services – now the most-often used platform in Thailand – and expand our presence in the market, we have continually developed our banking platform for enhanced efficiency. Focus was on increased linkage of platforms, including those of our business partners across all ecosystems, and innovation development in order to accommodate changing lifestyles. Major initiatives included:

- 1) **K PLUS:** We focused on making K PLUS an open banking platform that can connect with KBank business partners to ensure complete linkage within a digital lifestyle ecosystem through the introduction of new services that correspond to every aspect of life and deliver a positive customer experience anywhere, anytime. Major initiatives were as follows:
  - **Self-service loan application:** This includes Xpress Loan, Xpress Cash and K-Credit Card. Customers receive quick notification of loan approval.
  - **K PAY LATER:** This service, which features credit line for bill payment, allows customers to make installment payment, apply for the service or spend via K PLUS with no documents required.
  - **Scan QR code to pay with K Points:** This service targets stores that support Standard Thai QR, allowing customers to scan QR code to make payment with K Points combined with account debit with merchants on K PLUS shop.
  - **Development of feature for international funds transfer:** This feature supports the Japanese Yen (JPY) and the Chinese Yuan (CNY) in line with our plan for service enhancement to accommodate the currencies of other AEC+3 countries.
  - **Development of PromptPay-PayNow:** This service allows K PLUS users to make real-time funds transfer from Thailand to the Republic of Singapore via a registered mobile phone number (PayNow ID).
  - **K PLUS Lobby:** Customers who have no KBank account can explore and try out features on K PLUS, or browse through products on offer at special prices on K+ market.
  - **Change mobile number:** Customers can set up a new phone number by themselves without the need to cancel and reapply for the service.
- 2) **K-Cyber:** We focused on maintaining the integrity of the K-Cyber system with a highly stable internet connection, and information security management system under international standards in order to give our customers more confidence when conducting financial transactions via all digital banking channels.
- 3) **K-Payment Gateway:** This service channel has been continually enhanced with the aim of fully meeting the needs of online stores of all business types, regardless of their manner of connectivity, including mobile phones, tablets and computers, in conformity with the Payment Card Industry Data Security Standard (PCI-DSS), along with increased efficiency to accommodate the surging volume of online payment transactions via multiple platforms, including payment via debit card and credit card, Thai QR Payment, the Alipay and WeChat Pay e-Wallets and Pay with KPLUS.
- 4) **KBank Live (Facebook, Twitter, Instagram, YouTube, and LINE):** We have developed communication channels to ensure greater customer convenience by adding a notification feature for incoming and outgoing funds, with details of transactions displayed on LINE.

Customers can also search for and inquire about products/services, promotions and financial knowledge as well as news, such as the “Let’s Unite to Fight COVID-19” program, the “You Order, We Pay” campaign, personal loan offers, public relations of the FinVest and Blue CONNECT applications, as well as introduction of international funds transfer and investments.

- 5) **Other Platforms:** We have developed financial platforms for KBank partners as channels for offering new products and services, and for conducting various transactions. Such platforms can be adopted by many different businesses. Notable platforms are:
- **KBank Open API:** This service aids KBank partners in linking to KBank’s system in order to use our financial features to facilitate their customers in conducting financial transactions with them. This platform accommodates multiple services, including QR payment, online payment, inward remittance, information sharing and slip verification.
  - **National Digital ID (NDID) Service:** This service features digital-based identity verification for customers applying for services of the public and private sectors. It is currently under the Bank of Thailand’s regulatory sandbox.
  - **RP (Relying Party) Proxy:** This platform connects to the National Digital ID (NDID) platform for identity verification. It is also under the Bank of Thailand’s regulatory sandbox.
  - **Face API:** This service platform featuring facial recognition aims to aid KBank partners in conducting transactions, including identity verification for service application and building entry/exit.

- **K-Contact Center:** KBank has elevated our services to ensure total solutions as a Customer Fulfillment Center and deliver a beyond-expectation customer experience and thus be the most top-of-mind bank. We aim to become a Customer Engagement Center amid limitations from COVID-19 prevention and control measures, in response to the changing consumer behaviors in the digital age and a cashless society. Major operations are as follows:

- 1) **Chatbot development:** We expanded the scope of providing information about KBank products and services for broader coverage, greater accuracy and enhanced efficiency.
- 2) **Launch of Internet Voice Call via K PLUS:** Equipped with high-security system for identity verification via K PLUS, this new contact channel provides customers more convenience and speed in using our services with reduced expense burdens through reduction of service fees for customers residing abroad.
- 3) **Development of Knowledge Management Smart Agent Portal:** This effort is aimed at bolstering K-Contact Center capabilities for enhanced service efficiency.
- 4) **Development of Case and Incident Management:** We prioritized clear and swift solutions to complaints of both online and offline customers to help alleviate any potential impacts upon

them, while also curbing panic and negative rumors in order to maintain the public image of the banking industry and financial system stability.

### 3.5 Awards and Commendation

KBank and K Companies have achieved good performance, earning the recognition of various organizations at home and abroad, proven by many awards granted during 2021, notably:

Awards to KBank and K Companies
Awards to KBank
<ul style="list-style-type: none"> <li>● Nine awards: Winner: <b>Best Digital Bank for CX - Thailand</b> (LINE BK Powered by KBank), Winner: <b>Best Fintech for Digital CX- Alternative Wealth Management</b> (FinVest), Highly Acclaimed: <b>Best CX Business Model</b>, Highly Acclaimed: <b>Best Digital CX Partner/Vendor</b> (LINE BK Powered by KBank), Winner: <b>Best Retail Bank – Thailand</b>, Winner: <b>Best Digital Bank – Thailand</b> (LINE BK Powerd by KBank), Winner: <b>Outstanding Omni-channel Integration by a Retail Bank</b> (K Check ID), Winner: <b>Outstanding Innovation in Digital CX - Investment Product/Service</b> and Winner: <b>Outstanding Innovation in Digital CX – Platform/Website</b>, from The Digital Banker journal</li> <li>● Seven awards: <b>Best Service Provider-Cash Management</b>, <b>Best Service Provider-E-Solutions Partner</b>, <b>Project Finance House of the Year</b>, <b>Battery Storage Deal of the Year</b>, <b>Power Deal of the Year</b>, <b>Green Project of the Year</b> and <b>Rank#1 The Thai Baht Bond Research</b> from The Asset magazine</li> <li>● Five awards: <b>Best Cash Management Bank</b>, <b>Best FX Bank for Retail Clients</b>, <b>Best FX Bank for Structured Product: Commodities, Credit, Equity, FX and Multi-Assets</b>, <b>Best Corporate Treasury Sales and Structuring Team</b> and <b>Best FX Bank for Retail Clients</b> from Alpha Southeast Asia magazine</li> <li>● Five awards: Winner- <b>Best Retail Bank Thailand</b>, Winner- <b>Excellence in Service Innovation</b> for the Facebook Pay program and the Employee Chatbot &amp; Knowledge Management program, <b>Highly Commended Achievement- Best Payment Innovation</b>, <b>Highly Commended Achievement- Best Social Media Marketing Campaign</b> and <b>Highly Commended Achievement- Excellence in SME Banking</b> for the Facebook Pay program from Retail Banker International journal</li> <li>● Five awards: <b>Thailand IDC Future Enterprise of The Year</b>, <b>Thailand Best in Future of Digital Infrastructure</b>, <b>Thailand Best in Future of Industry Ecosystem</b>, <b>Regional IDC Future Enterprise of the year</b> (IDC Future Enterprise Award 2021) and <b>Retail Outward Remittance Infrastructure</b> (IDC Future Digital Infrastructure) from International Data Corporation (IDC)</li> <li>● Four awards: <b>Most Prominent Fund House in Corporate Bond Market</b> for the fourth consecutive year, <b>Best Bond House</b>, <b>Top Underwriting Bank</b> and <b>Best THOR Engagement</b> from The Thai Bond Market Association (ThaiBMA)</li> <li>● Four Awards: <b>Best Retail Bank in Thailand</b> for the 12<sup>th</sup> consecutive year, <b>Best Merchant Service</b> (Facebook Pay), <b>Best Mobile Banking Service</b> (K PLUS) and <b>Best Digital Lending Service in Thailand</b> (LINE BK) from The Asian Banker journal</li> <li>● Two awards: <b>Thailand Domestic Cash Management Bank of the Year</b> and <b>Thailand Domestic COVID Management Initiative of the Year</b> from The Asian Banking &amp; Finance magazine</li> <li>● Two awards: <b>Highly Commended: Outstanding Private Bank-Southeast Asia</b> and <b>Highly Commended: Best Bank for Sustainability and ESG leadership</b> from Private Banker International magazine</li> <li>● Two awards: <b>Best Consumer Digital Bank in Thailand</b> and <b>Best Trade Finance Award 2022</b> from Global Finance journal</li> <li>● Two awards: A Gold Medal in <b>Excellence In Leadership Development</b> (Talent Development Journey) and A Silver Medal in <b>Excellence In Innovative Use Of Hr Tech</b> (Bronze Level) from Human Resources Online</li> <li>● <b>Best Private Bank in Thailand</b> for the second consecutive year from The Banker magazine</li> </ul>



#### Awards to KBank and K Companies

- Thai Digital Champion for Cultural Transformation from Thailand Management Association (TMA)
- Highest Honor Award – Outstanding Establishment in Labour Relations and Labour Welfare for 16 consecutive years from the Ministry of Labour
- Award on Employee Care Guidelines during the COVID-19 situation from the Bangkok Social Security Office Area 7, the Ministry of Labour

#### Awards to KAsset

- Four awards: **Best Fund House - Domestic Equity** for the second consecutive year, **Best Retirement Mutual Fund – Equity** for K Global Healthcare Mutual Fund (KGHRMF), **Best Thailand Equity Large-Cap Fund** for K Strategic Trading Equity Fund (K-STEQ) and **Best Thailand Mid/Long-Term Bond Fund** for K Fixed Income Fund (K-FIXED) from Morningstar magazine
- Two awards: **Top Investment Houses in Asian Local Currency Bond (Rank 1)** for the seventh consecutive year, and **Best Asset Management Company Award 2021** for the fourth consecutive year from The Asset magazine

#### Awards to KASIKORN LINE Co., Ltd.

- Three awards: Winner: **Best Fintech for Digital CX - Personal Finance**, Winner: **Best Pure-Play Digital Account – Equity** and Winner: **Outstanding Marketing Initiative for a New Product (LINE BK)** from The Digital Banker journal
- Winner: **Bank + NewTech** category (LINE BK) from Capgemini and Efma

## 4. Operating Performance and Financial Position

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### 4.1 Operating Performance

The Thai economy in 2021 remained beset by the COVID-19 outbreak. Amid the major challenge of a fragile and uneven economic recovery, collaborative action from the government and financial institutions was needed in order to support the halting revival, especially for the service and tourism sector as well as income of certain labor groups which have yet to emerge from the doldrums.

KBank and its subsidiaries reported net profit for 2021 of Baht 38,053 million, an increase of Baht 8,566 million or 29.05 percent from the previous year. The increase could be attributed to KBank and its subsidiaries setting aside expected credit loss amounting to Baht 40,332 Million, a decrease of Baht 3,216 million, or 7.38 percent over-year. Coverage ratio as of December 31, 2021 stood at 159.08 percent, compared to 149.19 percent at the end of 2020, reflecting our prudent approach in setting aside expected credit loss in line with the prevailing circumstances. Moreover, KBank and its subsidiaries proactively worked to assist our customers via various relief measures while also closely assessing the situation in order to cope with uncertain economic circumstances, triggered by the spread of the Omicron variant of COVID-19 at the end of 2021.

Operating profit before expected credit loss and income tax expense for 2021 totaled Baht 92,305 million, an increase of Baht 7,410 million or 8.73 percent compared to the same period of 2020. The increase could be attributed to net interest income that increased by Baht 10,368 million or 9.51 percent, in line with loan growth which was derived from new loan extension under KBank's strategy of granting loans to customers with potential, the offering of loans for liquidity enhancement under assistance measures to support customers to resume normal business operations as well as loans provided to certain customers under the Bank's relief measures including suspension of principal and interest payment. KBank thus focused on accrued interest management. Net interest margin (NIM) therefore stood at 3.21 percent. Meanwhile, non-interest income decreased by Baht 1,910 million or 4.17 percent, due mainly to a decrease in revenue from sales of securities and net premiums earned – net whereas fees and service income – net increased by Baht 2,312 million or 7.01 percent, due mainly to fees from fund management and brokerage fees. Other operating expenses increased by Baht 1,048 million or 1.50 percent due to employee expenses, while premises and equipment expenses and marketing expenses decreased. Cost to income ratio stood at 43.49 percent.

## Operating Performance for 2021

(Unit: Million Baht)

	2021	2020	Change	
			Increase (Decrease)	Percent
Net Interest Income	119,390	109,022	10,368	9.51
Non-Interest Income	43,959	45,869	(1,910)	(4.17)
Total Operating Income - net	163,349	154,891	8,458	5.46
Total Other Operating Expenses	71,044	69,996	1,048	1.50
Expected Credit Loss	40,332	43,548	(3,216)	(7.38)
Net Profit (attributable to equity holders of KBank)	38,053	29,487	8,566	29.05
Basic Earnings per Share (Baht) <sup>1)</sup>	15.77	12.42	3.35	26.97

<sup>1)</sup> Basic Earnings per Share = Net profit (attributable to equity holders of the Bank) deduct dividend from other equity instruments after income tax divided by common shares outstanding

Major financial ratios that reflected operating performance of KBank and our subsidiaries in 2021 and 2020 are as follows:

(Unit: Percent)

Financial Ratio	2021	2020	Increase (Decrease)
Return on Assets (ROA)	0.98	0.85	0.13
Return on Equity (ROE) <sup>2)</sup>	8.44	7.10	1.34
Net Interest Margin (NIM)	3.21	3.27	(0.06)
Cost to Income Ratio	43.49	45.19	(1.70)

<sup>2)</sup> Return on average equity (ROE) = Net profit (attributable to equity holders of the Bank) deduct dividend from other equity instruments after income tax divided by average equity of equity excluded other equity instruments.

(Unit: Percent)

Financial Ratio	2021	2020	Increase (Decrease)
Significant increase in credit risk loans <sup>3)</sup> to total loans <sup>4)</sup>	7.27	7.80	(0.53)
Significant increase in credit risk loans and non-performing loans <sup>5)</sup> to total loans <sup>4)</sup>	11.09	11.81	(0.72)
NPLs gross <sup>6)</sup> to total loans <sup>7)</sup>	3.76	3.93	(0.17)
Total allowance for expected credit loss <sup>8)</sup> to NPL gross (Coverage ratio)	159.08	149.19	9.89
Loans <sup>9)</sup> to Deposits Ratio	93.20	95.73	(2.53)
Capital Adequacy Ratio <sup>10)</sup>	18.77	18.80	(0.03)
Tier 1 Capital Ratio <sup>10)</sup>	16.49	16.13	0.36

<sup>3)</sup> Significant increase in credit risk loans used in calculation are loans to customers and loans to financial institutions which credit risk has increased significantly

<sup>4)</sup> Loans used in calculation are loans to customers and loans to financial institutions and accrued interest receivables and undue interest receivables

<sup>5)</sup> Credit impaired loans used in calculation are loans to customers and loans to financial institutions which credit risk has impaired

<sup>6)</sup> NPL gross used in calculation are loans to customers and loans to financial institutions of non-performing loans excluded loans for credit balance and life insurance business

<sup>7)</sup> Loans used in calculation are loans to customers and loans to financial institutions

<sup>8)</sup> Included allowance for expected credit loss of loan commitment and financial guarantee, deposit to financial institutions, investments and other financial assets

<sup>9)</sup> Loans = Loans to customers

<sup>10)</sup> KASIKORNBANK FINANCIAL CONGLOMERATE's Capital Adequacy Ratio (CAR)

## □ Net Interest Income

KBank's consolidated net interest income for 2021 was Baht 119,390 million, increasing Baht 10,368 million or 9.51 percent over-year, due mainly to interest income from loan which increased Baht 7,745 million, or 8.00 percent. The increase was in line with loan growth which was derived mainly from new loan extension under KBank's strategy of granting loans to customers with potential, the offering of loans for liquidity enhancement under assistance measures to support customers to resume normal business operations as well as loans provided to certain customers under the Bank's relief measures including suspension of principal and interest payment. KBank thus focused on accrued interest management. In addition, interest income from investment increased Baht 964 million, or 4.44 percent in line with average investment volume. Meanwhile, interest income from interbank and money market items decreased Baht 1,040 million, or 33.33 percent due to declining average interest rates and average transaction volume. Meanwhile, interest expenses dropped Baht 2,546 million, or 13.71 percent due mainly to reduction of deposit interest rates.

Our NIM for 2021 equaled 3.21 percent, lower than 3.27 percent in the previous year.

(Unit: Million Baht)

	2021	2020	Change	
			Increase (Decrease)	Percent
<b>Interest Income</b>				
<b>Interbank and Money Market Items</b>	<b>2,078</b>	<b>3,118</b>	<b>(1,040)</b>	<b>(33.33)</b>
Deposits	(830)	179	(1,009)	(564.45)
Loans (without Repurchase Agreements)	1,214	736	478	65.03
Repurchase Agreements	1,694	2,203	(509)	(23.11)
<b>Investments</b>	<b>22,675</b>	<b>21,711</b>	<b>964</b>	<b>4.44</b>
Trading Investments	148	156	(8)	(5.21)
Investment in Debt Instruments measured at				
Fair Value through Other Comprehensive Income	3,954	4,040	(86)	(2.12)
Investment in Debt Instruments measured at				
Amortized Cost	18,608	17,492	1,116	6.37
Others	(35)	23	(58)	(252.06)
<b>Loans</b>	<b>104,579</b>	<b>96,834</b>	<b>7,745</b>	<b>8.00</b>
<b>Hire Purchase and Finance leases</b>	<b>6,073</b>	<b>5,913</b>	<b>160</b>	<b>2.71</b>
<b>Others</b>	<b>9</b>	<b>16</b>	<b>(7)</b>	<b>(45.12)</b>
<b>Total Interest Income</b>	<b>135,414</b>	<b>127,592</b>	<b>7,822</b>	<b>6.13</b>
<b>Total Interest Expenses</b>	<b>16,024</b>	<b>18,570</b>	<b>(2,546)</b>	<b>(13.71)</b>
<b>Total Interest Income – net</b>	<b>119,390</b>	<b>109,022</b>	<b>10,368</b>	<b>9.51</b>
Yield on Earning Assets (percent)	3.64	3.83		(0.19)
Cost of Fund (percent)	0.59	0.78		(0.19)
<b>Net Interest Margin (NIM) (percent)</b>	<b>3.21</b>	<b>3.27</b>		<b>(0.06)</b>

#### □ Non-Interest Income

For 2021, KBank's consolidated non-interest income totaled Baht 43,959 million, decreasing Baht 1,910 million, or 4.17 percent over-year. The decrease was attributable mainly to decreases in revenue from sale of securities and net premiums earned – net in line with the life insurance business condition. Meanwhile, fees and service income - net rose, which was derived largely from increased fees from fund management and brokerage fees in line with market condition.

(Unit: Million Baht)

	2021	2020	Change	
			Increase (Decrease)	Percent
<b>Non-Interest Income</b>				
Fees and Service Income	48,628	45,699	2,929	6.41
Fees and Service Expenses	13,312	12,695	617	4.86
<b>Fees and Service Income – net</b>	<b>35,316</b>	<b>33,004</b>	<b>2,312</b>	<b>7.01</b>
Gain (Loss) on Financial Instrument measured at Fair Value through				
Profit or Loss	5,539	8,119	(2,580)	(31.78)
Gain (Loss) on Investments	817	1,308	(491)	(37.54)
Share of Profit (Loss) from Investments using Equity Method	(694)	(193)	(501)	(259.12)
Dividend Income	3,310	2,384	926	38.81
Net Premiums Earned	69,360	72,129	(2,769)	(3.84)
Other Operating Income	1,290	1,683	(393)	(23.36)
<u>Less</u> Underwriting Expenses	70,979	72,565	(1,586)	(2.19)
<b>Total Non-Interest Income</b>	<b>43,959</b>	<b>45,869</b>	<b>(1,910)</b>	<b>(4.17)</b>

#### □ Other Operating Expenses

KBank's consolidated other operating expenses for 2021 was Baht 71,044 million, increasing Baht 1,048 million, or 1.50 percent over-year. The increase could be attributed mainly to rising employee expenses and expenses under the Bank's relief measures for customers. Meanwhile, premises and equipment expenses, debt management expenses and marketing expenses decreased due to our efficient expense management during an economic slowdown. Our cost to income ratio of 2021 was thus equal to 43.49 percent, decreasing from 45.19 percent in the previous year.

(Unit: Million Baht)

	2021	2020	Change	
			Increase (Decrease)	Percent
Employee Expenses	34,481	32,143	2,338	7.27
Directors' Remuneration	146	160	(14)	(8.53)
Premises and Equipment Expenses	11,345	12,165	(820)	(6.74)
Taxes and Duties	5,443	5,088	355	6.98
Others	19,629	20,440	(811)	(3.97)
<b>Total Other Operating Expenses</b>	<b>71,044</b>	<b>69,996</b>	<b>1,048</b>	<b>1.50</b>
<b>Cost to Income Ratio (percent)</b>	<b>43.49</b>	<b>45.19</b>		<b>(1.70)</b>

## □ Classified Loans and Expected Credit Loss

### ● Classified Loans

KBank classified loans into three levels per TFRS 9. The classified loans in stage 2 include the loans with significantly increasing credit risk since initial recognition but without credit impaired. As of December 31, 2021, KBank and its subsidiaries had a total of Baht 2,776,890 million in loans to customers and financial institutions. Loans to customers (excluding financial institutions) including accrued interest receivables and undue interest receivables including allowance for expected credit loss consist of:

(Unit: Million Baht)

	Dec. 31, 2021		Dec. 31, 2020	
	Loans and accrued interest receivables <sup>1)</sup>	Allowance for expected credit loss	Loans and accrued interest receivables <sup>1)</sup>	Allowance for expected credit loss
Stage 1 Performing	2,130,347	47,459	1,951,216	42,954
Stage 2 Under-performing	201,878	51,060	201,382	49,439
Stage 3 Non-performing	106,187	46,253	103,495	42,000
<b>Total</b>	<b>2,438,412</b>	<b>144,772</b>	<b>2,256,093</b>	<b>134,393</b>

<sup>1)</sup> Including loan to customers and accrued interest and undue interest receivables

Under-performing loans to total loans were equal to 7.27 percent and under-performing loans to non-performing loans were equal to 11.09 percent, improving from 7.80 percent and 11.81 percent, respectively, as of December 31, 2020.

### ● Modified Loans

KBank and its subsidiaries engaged in modification contracts which were classified as NPL and non-NPL that incurred losses, but not included customers under the Bank of Thailand's relief measures. In 2021, there were loans before modification amounting to Baht 4,337 million and incurred losses amounting to Baht 506 million.

### ● Expected Credit Loss

KBank and its subsidiaries set aside expected credit loss of Baht 40,332 million in 2021, an over-year decrease of Baht 3,216 million, or 7.38 percent. KBank and its subsidiaries maintained the policy of setting aside expected credit loss under a prudent approach with close assessment of uncertain economic circumstances. We also proactively worked to assist our customers via various relief measures. As a result, our expected credit loss to average loans for 2021 stood at 1.73 percent, less than the figure of 2.05 percent in the previous year. Meanwhile, our expected credit loss to non-performing loan as of December 31, 2021 increased to 159.08 percent, compared to 149.19 percent as of the end of 2020.

## Expected Credit Loss

(Unit: Million Baht)

	2021	2020	Change	
			Increase (Decrease)	Percent
Expected Credit Loss	40,332	43,548	(3,216)	(7.38)
Expected Credit Loss to Average Loan (percent)	1.73	2.05		(0.32)

### Allowance for Expected Credit Loss

As of December 31, 2021, our consolidated allowance for expected credit loss totaled Baht 144,772 million.

#### — Non-Performing Loans and Properties Foreclosed

##### *Non-Performing Loans*

As of December 31, 2021, KBank's consolidated NPLs stood at Baht 104,036 million, or 3.76 percent of the total outstanding credit, including that of financial institutions. KBank's NPLs totaled Baht 101,200 million, or 3.81 percent of the total outstanding credit, including that of financial institutions. The NPLs data is shown in the table below:

### Non-Performing Loans

(Unit: Million Baht)

For the Year Ending	Dec. 31, 2021	Dec. 31, 2020
Consolidated NPLs	104,036	101,007
Percent of total outstanding credit, including that of financial institutions	3.76	3.93
KBank NPLs	101,200	98,221
Percent of total outstanding credit, including that of financial institutions	3.81	3.94

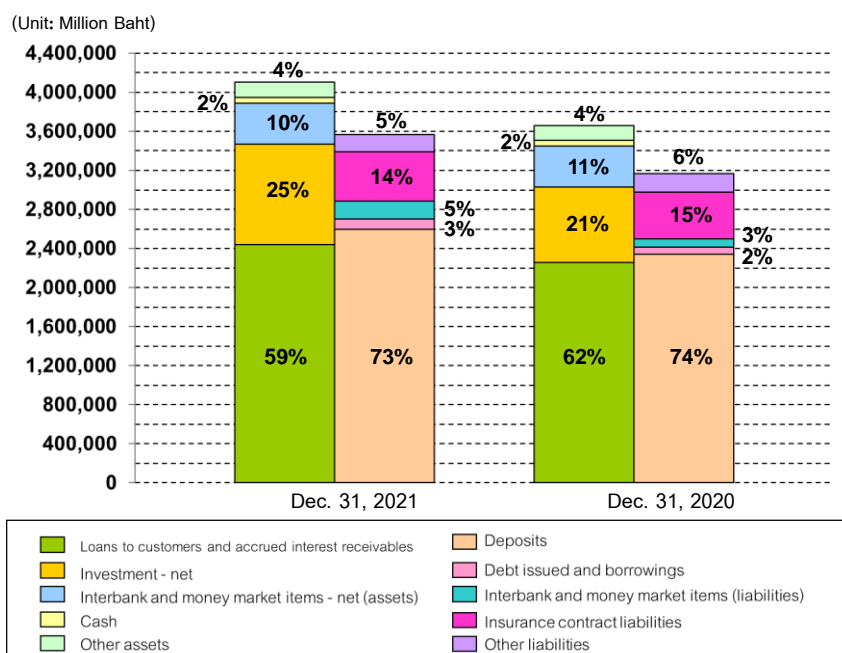
### *Properties Foreclosed*

As of December 31, 2021, our financial conglomerate's properties foreclosed had a net value of Baht 42,314 million, thus being 1.03 percent of total assets.



## 4.2 Financial Position

### Assets and Liabilities Structure

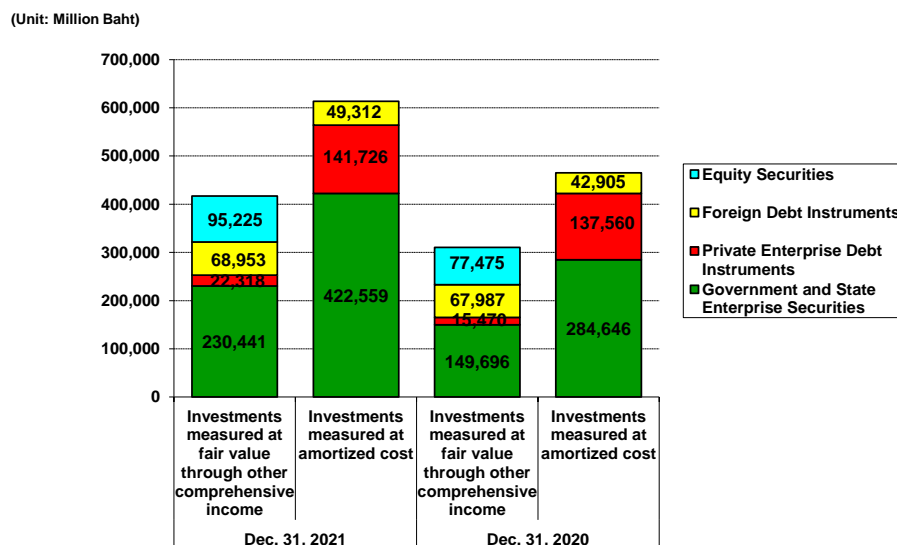


#### □ Assets

At the end of 2021, KBank's consolidated assets totaled Baht 4,103,399 million, increasing Baht 444,601 million or 12.15 percent from the end of 2020. The rise was due mainly to increase in net investment and loan to customers. Key details are as follows:

- Net investment totaled Baht 1,030,534 at the end of 2021, increasing Baht 254,795 million or 32.85 percent from the end of 2020, due mainly to rising investment in government bonds.
- Loans to customers totaled Baht 2,421,813 million at the end of 2021, increasing Baht 176,992 million or 7.88 percent from the end of 2020, due mainly to rising commercial loans and housing loans. This was derived from loans granted to customers with potential, the offering of loans for liquidity enhancement under relief measures to support customers to resume normal business operations with close monitoring of asset quality so as to provide them ongoing assistance. Moreover, certain customers remained under the Bank's relief measures including suspension of principal and interest payment. KBank thus focused on accrued interest management.

## Investments in Securities



### □ Liabilities and Equity

Our consolidated liabilities at the end of 2021 amounted to Baht 3,566,724 million, which rose Baht 399,212 million or 12.60 percent from the end of 2020. The increase was mainly attributable to increased deposits, interbank and money market items (liabilities) and debt issued and borrowings. Significant changes in our consolidated liabilities included:

- Deposits at the end of 2021 equaled Baht 2,598,630 million, increasing Baht 253,631 million or 10.82 percent from the end of 2020, due mainly to increase in savings deposits.
- Interbank and money market items (liabilities) at the end of 2021 were Baht 186,449 million, an increase of Baht 98,652 million or 112.36 percent from the end of 2020, due to the Bank's liquidity management.
- Debt issued and borrowings at the end of 2021 equaled Baht 103,886 million, increasing Baht 34,496 million or 49.71 percent from the end of 2020, due largely to the Bank's issuance of short-term debentures and subordinated financial instruments that qualify as Tier 1 capital and subsidiaries' issuance of subordinated debentures.

Equity (attributable to KBank) at the end of 2021 amounted to Baht 476,714 million, increasing Baht 37,044 million or 8.43 percent from the end of 2020, derived mainly from KBank's net operating profit in 2021 which totaled Baht 38,053 million and the Bank's dividend payment in accordance with the Bank of Thailand's policy. Key details are as follows:

- In April 2021, KBank approved dividend payment from our net profit for 2020 of Baht 5,923 million in accordance with the Bank of Thailand's regulation on dividend payment at the rate not exceeding the dividend payout ratio of 2019 and not more than 50 percent of net profit of 2020.
- In September 2021, KBank approved interim dividend payment for 2021 which equaled Baht 1,185 million in accordance with the Bank of Thailand's regulation on interim dividend payment at the rate not exceeding the dividend payout ratio of 2020 and not more than 50 percent of net profit during the

first half of 2021.

For 2021, KBank will make dividend payment in accordance with the Bank of Thailand's regulation which allows commercial banks to pay dividend at the rate not exceeding 50 percent of their 2021 net profits.

#### □ Relationship between Sources and Uses of Funds

As of December 31, 2021, the funding structure as shown in the consolidated financial statement comprised Baht 3,566,724 million in liabilities and Baht 476,714 million in equity (attributable to KBank), resulting in a debt-to-equity ratio of 7.48. The main source of funds on the liabilities side was deposits, which equaled Baht 2,598,630 million, or 63.33 percent of the total source of funds, as of December 31, 2021. Other sources of funds included interbank and money market items as well as debt issued and borrowings, which accounted for 4.54 percent and 2.53 percent of the total source of funds, respectively.

#### KBank and Subsidiaries' Major Sources and Uses of Funds

(Unit: Million Baht)

Period	Deposits				Loans and accrued interest receivables <sup>1)</sup>			
	Dec. 31, 2021	Percent	Dec. 31, 2020	Percent	Dec. 31, 2021	Percent	Dec. 31, 2020	Percent
≤ 1 Year	2,581,587	99.34	2,322,875	99.06	980,901	40.23	952,391	42.21
> 1 – 5 Years	17,043	0.66	22,124	0.94	529,714	21.72	498,520	22.10
> 5 Years	-	-	-	-	927,797	38.05	805,182	35.69
<b>Total</b>	<b>2,598,630</b>	<b>100.00</b>	<b>2,344,999</b>	<b>100.00</b>	<b>2,438,412</b>	<b>100.00</b>	<b>2,256,093</b>	<b>100.00</b>

<sup>1)</sup> Including loan to customers and accrued interest and undue interest receivables

Deposits with maturities within one year were larger than loans with remaining maturities within 1 year. This is considered normal for commercial banks in Thailand. Most deposits remain with KBank longer than their stated contractual term, thereby helping to support funding for KBank's lending.

As of December 31, 2021, KBank and subsidiaries' major use of funds was loans to customers which amounted to Baht 2,421,813 million, resulting in loan-to-deposit ratio of 93.20 percent. As for the remaining liquidity, KBank invested in various selections of liquid assets, such as interbank and money market items, financial assets measured at fair value through profit or loss, and investments in securities.

#### Change in Cash Flows

As of 31 December 2021, the Bank and its subsidiaries' cash were Baht 59,972 million, decreasing by Baht 1,990 million from the end of previous year. Net cash provided by and used in activities can be summarised as follows:

- Net cash provided by operating activities were Baht 241,747 million which was mainly from Baht 86,683 million of operating profit before changes in operating assets and liabilities and changes in significant operating assets and liabilities consisting of deposits that increased Baht 251,175 million and interbank and

money market items (liabilities) that increased Baht 92,056 million. Meanwhile, loans to customers increased Baht 218,360 million while other assets decreased Baht 15,582 million.

- Net cash used in investing activities were Baht 251,224 million which was mainly from Baht 371,529 million of purchase of investments measured at fair value through other comprehensive income and Baht 184,492 million of purchase of investments measured at amortised cost, while there were Baht 276,129 million of proceeds from disposal of investments measured at fair value through other comprehensive income and Baht 36,638 million of proceeds from redemption of investments measured at amortised cost.
- Net cash used in financing activities were Baht 7,482 million which was mainly from Baht 14,500 million of repayment of long-term debts issued and borrowings, Baht 7,108 million of dividend paid to shareholders, Baht 1,515 million cash payment for lease liabilities, Baht 858 million of cash payment for distribution of other equity instruments and Baht 467 million of dividend paid to non-controlling interests, while there was Baht 31,930 million of proceeds from long-term debts issued and borrowings.

### Contingent Liabilities and Commitments

Contingent liabilities and commitments of the Bank and its subsidiaries consisted of:

(Unit : Million Baht)

	31 Dec 2021	31 Dec 2020
Avals to bills and guarantees of loans	29,263	13,987
Liability under unmatured import bills	42,952	39,602
Letters of credit	36,469	34,392
Other contingencies	741,818	722,711
<b>Total</b>	<b>850,502</b>	<b>810,692</b>

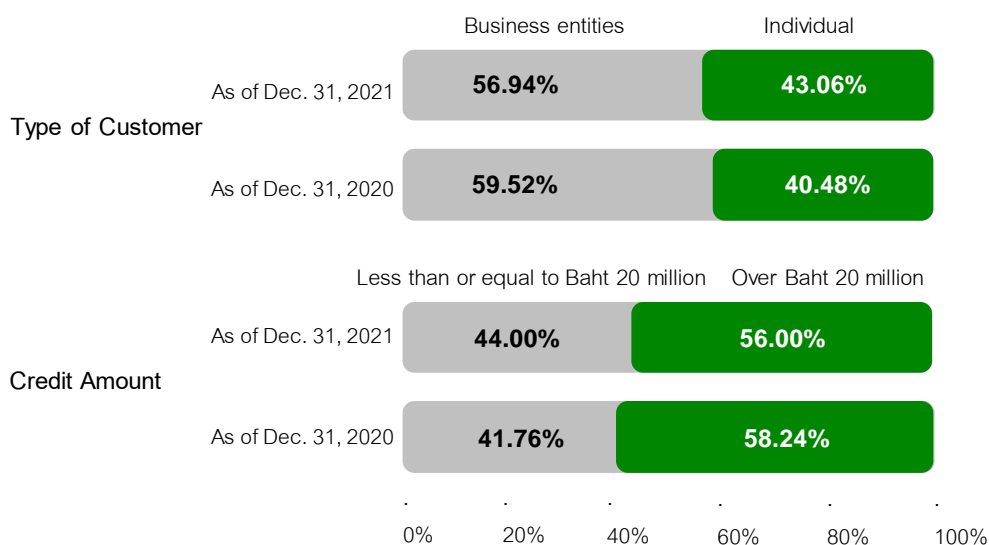
## 4.3 Loans and Deposits

### □ Loans

As of December 31, 2021, financial conglomerate's outstanding loans stood at Baht 2,421,813 million, increasing by Baht 176,992 million, or 7.88 percent, compared to Baht 2,244,821 million as of December 31, 2020.

As of December 31, 2021, the majority, 56.94 percent of KBank's outstanding loans were made to juristic persons or registered businesses. Loan accounts exceeding Baht 20 million accounted for 56.00 percent of the total.

### Loan Portfolio by Type of Customer and Credit Amount



### Loans Classified by Business

(Unit: Million Baht)

	Dec. 31, 2021		Dec. 31, 2020	
	Corporate Business <sup>1)</sup>	Retail Business <sup>2)</sup>	Corporate Business <sup>1)</sup>	Retail Business <sup>2)</sup>
Loans	1,609,411	711,243	1,546,768	637,910

Notes: <sup>1)</sup> "Corporate Business" refers to registered companies, certain private individual business customers, government agencies, state enterprises, as well as financial institutions, etc. KBank provides a variety of financial products and services to them, e.g., long-term and working capital loans, letter of guarantee, trade finance solutions, syndicated loans, cash management solutions and value chain solutions.

<sup>2)</sup> "Retail Business" refers to private individual customers using KBank products and services, e.g., deposit accounts, debit cards, credit cards, personal loans, housing loans, financial advisory services, investment products and other transactional services.

KBank expanded relief measures for all groups of debtors reeling from the COVID-19 outbreak, under the Bank of Thailand's guidelines. KBank has provided full cooperation with the government in accommodating and supporting the sustainable debt relief program for corporate, SME and retail clients so as to sustain the economic rehabilitation amid restrictions stemming from the uncertain environment throughout 2021, taking into account guidelines for loan growth management in line with the country's overall economy.

As of the end of 2021, our corporate business loans (Corporate and SME customers) had increased by Baht 62,643 million or 4.05 percent from the end of 2020. The increase came mainly from loans for consumer goods, transportation and construction industry. Loans granted were largely under the relief measures for liquidity enhancement amid the COVID-19 outbreak. Meanwhile, KBank expanded the new customer base, especially among small business customers. To this end, we added a digital channel for self-service loan application. KBank focused on using customer data, both financial and non-financial, based on various data

sources, such as data from our business partners for conducting data analytics and customers' behavioral assessment for credit underwriting. This allowed us to offer credit products suited to customers' needs under risk-based pricing aligned with each client's risk appetite.

Our retail loans at the end of 2021 grew by Baht 73,333 million or 11.50 percent compared to the end of 2020. The increase stemmed mainly from growth in personal loan in response to KBank's policy, especially the addition of a channel for self-service loan application with loan disbursement through account credit via K PLUS available 24 hours a day. Along with this, we highlighted the outstanding features of Xpress Cash, which allows customers to make cash withdrawal and purchase goods with an option for installment payment. Moreover, we added a new service for converting the remaining credit line of a credit card to cash to be deposited in an account, and monthly installment payment at special rates or Smart CASH via K PLUS, as well as an added channel for self-service credit card application. Another notable development included growth in home loan which could be attributed to the offering of loans that catered to the demands of all customer groups, including those of new home loan, home loan refinance and Home to Cash.

## □ Deposits

### Deposits Classified by Type of Deposit Account

(Unit: Million Baht)

	Percent of Total Deposits	Deposits		Change	
		Dec. 31, 2021	Dec. 31, 2020	Increase (Decrease)	Percent
<b>Total Deposits</b>	100.00	2,598,630	2,344,999	253,631	10.82
Current accounts	6.21	161,303	133,802	27,501	20.55
Savings accounts	75.45	1,960,581	1,748,237	212,344	12.15
Fixed-term deposit accounts	18.34	476,746	462,960	13,786	2.98

Overall, competition in the deposit market in 2021 remained limited in a continuation from the previous year. Commercial banks' liquidity was sufficient to accommodate loan growth. Meanwhile, the policy rate stayed low at 0.50 percent per annum. This allowed KBank to efficiently manage deposit cost and liquidity to be in line with demand for loan while maintaining our competitiveness in the market, along with a balanced distribution of deposits in each customer segment in alignment with the strategies of a Bank of Sustainability and Customer Centricity, while strengthening customer relationships and our status as Customers' Main Bank.

In 2021, KBank introduced the Deposit x PEANUTS program with the aim of expanding the new customer base. Under this PEANUTS-themed deposit program, we offered K-eSavings and KBank x PEANUTS Taweessup Special Fixed Deposit Account wherein customers with deposit amounts in accordance with the established conditions were granted K Points which could be redeemed for PEANUTS copyrighted products via K+ market. Moreover, KBank focused on promoting the digital deposit service via MAKE by KBank application that offered a deposit rate of up to 1.5 percent per annum. Along with this, we launched a campaign

to promote the opening of deposit accounts and the use of funds transfer in response to the lifestyles of customers who use online financial services every day. Meanwhile, we continued to introduce special fixed-term deposit products offering competitive interest rates as an option for customers and a fund mobilizing tool for the Bank's liquidity management that is suited to the prevailing circumstances.

At the same time, KBank introduced mutual funds with various investment policies and risk levels, taking into account volatilities in the money and capital markets, and customers' need for tax deduction benefits. To provide customers greater investment options with opportunities to gain better returns, we launched K Global Dynamic Bond Fund (K-GDBOND) that focuses on all types of global debt instruments and recommended K Positive Change Equity RMF (KCHANGERMF), which invests in stocks with positive impacts in four areas, namely environment, healthcare, education and social equality; K Global Income Fund-SSF (K-GINCOME-SSF) that offers opportunities to gain returns regardless of any market circumstances; K Target Retirement 2035 RMF (K2035RMF) and K Target Retirement 2040RMF (K2040RMF) which automatically adjusts portfolios from high-risk assets to low-risk assets as retirement approaches, and K STAR Equity Fund-SSF (K-STAR-SSF) which focuses on Thai stocks with high growth prospects.

#### 4.4 Treasury Operations

During 2021, average overnight interbank lending rates stood at 0.44 percent per annum, lower than the average rate of 0.65 percent per annum in 2020, in line with the resolutions from the Monetary Policy Committee (MPC) meetings, wherein the key policy rate was kept unchanged at 0.50 percent per annum for the entirety of 2021.

KBank's guideline for investment portfolio is to prioritize the maintenance of liquidity in order to accommodate any future change in business conditions. In addition, investment strategy was established in line with the changes in economic conditions, as well as the movements of money and capital markets both at home and abroad. During the year, KBank thus increased its proportion of holdings in Thai government bonds in a manner consistent with policy rate projections, in order to increase yields from our liquid asset portfolio within an appropriate risk appetite.

#### Treasury Operations Income

(Unit: Million Baht)

Income Structure of Treasury Operations (Banking Book)	Percent of Total Income	2021	2020	Change	
				Increase (Decrease)	Percent
<b>Interest Income<sup>1)</sup></b>					
Interbank and money market items <sup>2)</sup>	27.38	1,873	2,940	(1,067)	(36.29)
Investments	72.62	4,967	4,669	298	6.38
<b>Total</b>	<b>100.00</b>	<b>6,840</b>	<b>7,609</b>	<b>(769)</b>	<b>(10.11)</b>

Note: <sup>1)</sup> Managerial figures

<sup>2)</sup> Including loans

Total interest income in 2021 stood at Baht 6,840 million, decreasing Baht 769 million or 10.11 percent from the previous year, mainly due to the fact that the policy rate stayed low at 0.50 percent per annum throughout the year.

#### □ Liquid Asset Ratio

KBank maintains average fortnightly current deposits at not less than 1.00 percent of total deposits and certain types of borrowings in accordance with the Bank of Thailand's regulations. As of December 31, 2021, our deposits at the Bank of Thailand and cash at cash center averaged Baht 31,780 million.

## 4.5 Operating Performance of K Companies and Muang Thai Life Assurance PCL

### Operating Performance of K Companies<sup>1)</sup> and Muang Thai Life Assurance PCL

(Unit: Million Baht)

	Performance Measurement	2021	2020	2019
KASIKORN ASSET MANAGEMENT CO., LTD. (KAsset)	Assets under Management	1,575,362	1,477,369	1,431,243
	Market Share (Percent)	18.00	17.84	18.50
KASIKORN SECURITIES PCL (KSecurities)	Trading Volume	1,517,385	1,119,047	683,035
	Market Share (Percent)	3.70	3.75	3.04
KASIKORN LEASING CO., LTD. (KLeasing)	Outstanding Loans	121,166	114,895	114,769
KASIKORN FACTORY AND EQUIPMENT CO., LTD. (KF&E)	Outstanding Loans	25,149	25,106	22,875
Muang Thai Life Assurance PCL (MTL)	Net Premiums Earned	66,139 <sup>2)</sup>	75,327	83,840
	Market Share (Percent)	12.13 <sup>2)</sup>	12.55	13.72

Note: <sup>1)</sup> KRResearch is not included, since this company does not engage in financial business.

<sup>2)</sup> Data of January-November 2021

During 2021, K Companies and Muang Thai Life Assurance PCL (MTL) attained satisfactory qualitative and quantitative operating performance. This achievement was attributable to the close cooperation between KBank and K Companies, as well as MTL.

**KASIKORN ASSET MANAGEMENT CO., LTD. (KAsset):** KAsset maintained the number-one position in the mutual fund business as gauged by assets under management in this category, with a market share of 21.83 percent in 2021. Total market share of assets under management (AUM) was 18.00 percent. This excellent performance was due in part to its synergy with KBank in developing products to match consumers' needs. To maintain customer confidence during the COVID-19 resurgence, KAsset introduced a wide variety of mutual funds to provide greater investment options that completely meet customers' needs. Notable funds



included K Asia Technology Equity Fund (K-ATECH) which invests in technology-related businesses in Asia Pacific; K Global Dynamic Bond Fund (K-GDBOND) focusing on various types of global fixed-income instruments with flexible investment strategies in line with market conditions in order to consistently provide positive returns; and K US Equity Passive Fund (K-US500X) and K Asia Equity Passive Fund (K-ASIAX) targeting investors seeking returns close to the S&P 500 Index and MSCI All Country Asia ex Japan.

Meanwhile, KAsset worked with KBank in enhancing sales channel efficiency in compliance with the regulations of the Office of the Securities and Exchange Commission (SEC). Focus was on competency of fund distributors and development of services via digital channels that are easily accessible to customers in order to support sales. The company also prioritized the provision of information and recommendations on investments via its website, online media, K PLUS and K-My Funds applications. Another notable initiative was after-sale service that customers can process by themselves for enhanced customer convenience and responsiveness.

**KASIKORN SECURITIES PCL (KSecurities):** The company emphasizes delivery of excellent products and services. To this end, the company developed tools for efficiently tracking and managing customer portfolios. In addition, KSecurities teamed with KBank in developing an online securities account opening system to expand the new customer base. Focus was also on provision of investment-related knowledge via online channels in sync with investor behavior in the digital era, allowing them to access data anywhere, anytime. Through these endeavors, KSecurities recorded securities trading volume of more than Baht 1.5 trillion, with a market share of 3.70 percent.

**KASIKORN LEASING CO., LTD. (KLeasing):** In 2021, the automotive industry was hit by the COVID-19 pandemic and auto parts shortages. Therefore, overall new car sales saw a contraction compared to the previous year. Nonetheless, the company's Auto Loan (New Car) still enjoyed growth, with market share rising to 5.3 percent. Meanwhile, KLeasing focused on high-yield loans, especially Car to Cash and Auto Loan (Used Car) which saw satisfactory growth due to demand for loan from customers seeking to use car while efficiently managing their expenses amid the uncertain economic environment. The company continually issued assistance measures for pandemic-stricken customers in line with the Bank of Thailand's guidelines, especially sustainable debt relief programs. As a result, KLeasing's total outstanding loan increased markedly, by 5.46 percent over-year.

**KASIKORN FACTORY AND EQUIPMENT CO., LTD. (KF&E):** The Company focused on providing customers its equipment leasing service. In 2021, KF&E's outstanding equipment leasing was on par with that of the previous year as the company prioritized the forging of alliances with machinery dealers while extending equipment leasing service to new industries, including robotics and digital technologies, software, healthcare, and green energy such as EV bikes. Moreover, KF&E worked with KBank in implementing a broad range of assistance measures for customers affected by COVID-19 with the aim of easing their installment payment burdens.

**Muang Thai Life Assurance PCL. (MTL):** The company prioritized collaboration with KBank in developing multiple life and health insurance products focusing on personalization so as to provide increased coverage options to meet the needs of each individual customer. In 2021, market share of the company's total premiums in bancassurance business ranked second in the life insurance industry.

MTL insurance products that were jointly developed with KBank included life and health insurance plans like "Elite Health", "Delight Health" and "Worry-Free Insurance" which cover inpatient department (IPD) medical expenses. In 2021, customers were offered greater options for outpatient department (OPD) medical coverage that is available as a single policy or a rider added to a life insurance policy. Other notable products were "Pay when Sick" - an affordable life insurance and health insurance program (IPD+OPD) which is designed for freelancers, the self-employed and SME operators; a unit-linked life insurance for both single premium payment (UN-SP) and renewal premium payment (UN-RP); the "OnePlus 10/1" life insurance policy offered on K PLUS, and free COVID-19 life insurance offered to customers who signed up for the service to notify outstanding credit card amount via KBank Live on the LINE application.

To overcome travel restrictions amid the COVID-19 outbreak and ensure sustainable growth of bancassurance business, MTL worked with KBank in developing tools in the form of a "Sales Story" to provide advisory service in order to support the offering of products by the sales team. Moreover, a digital face-to-face sales process was developed in strict adherence to market conduct guidelines, while Unit Linked Portfolio Review was initiated to equip our unit-linked life insurance customers with useful information and knowledge on investment. Along with this, the company added a channel for notification of policy renewal and premium payment via K PLUS while also introducing the MTL Click application – a self-service application that allows customers to conduct policy-related transactions by themselves.

## **4.6 Capital Requirements**

Placing great emphasis on capital as a significant funding source for business operations that also reflects the financial strength and credibility of a financial institution, KBank has adopted capital management framework in line with international sound practice. KBank's Capital Management Sub-committee is responsible for planning and overseeing capital adequacy, while the Risk Oversight Committee supervises capital management of the Conglomerate for enhanced efficiency. Moreover, KBank has forward-looking capital planning for assessment of capital adequacy based on economic outlook, our business plans and regulatory changes while also regularly undertaking stress tests to ensure that we have adequate capital for operations under normal and crisis situations.

As of the end of 2021, KASIKORNBANK FINANCIAL CONGLOMERATE, under the Basel III capital requirements, had capital funds of Baht 493,930 million, consisting of Baht 406,642 million in Common Equity Tier-1 capital, Baht 433,959 million in Tier-1 capital and Baht 59,971 million in Tier-2 capital. The capital

adequacy ratio was 18.77 percent, which is above the Bank of Thailand's minimum requirement and buffer requirement of 12.00 percent.

## □ Overview of Capital Requirements

After the global financial crisis, the Basel Committee on Banking Supervision (BCBS) undertook a great effort to revise capital supervision framework (Basel III) to reinforce the stability of the global banking system. The framework is intended to increase financial institutions' ability to absorb losses that may be incurred. Financial institutions are required to maintain higher capital quality and quantity. The Bank of Thailand has adopted the reforms in Thailand. The capital requirements are summarized as follows:

Capital requirements comprise two parts:

1. Minimum Capital Requirement: Total capital ratio must be maintained at not less than 8.5 percent, comprising Common Equity Tier-1 ratio (CET1 ratio) and Tier-1 ratio at not less than 4.5 percent and 6.0 percent of total risk weighted asset, respectively.
2. Capital Buffer: The Bank of Thailand requires that conservation buffer be maintained, with CET1 ratio of more than 2.5 percent of total risk weighted asset in addition to minimum capital ratio. Domestic Systematically Important Banks (DSIBs) are required to maintain the additional CET1 of 1.0 percent of total risk weighted assets. The financial conglomerate's capital levels are above regulatory requirements.

### Capital Adequacy Ratio<sup>1)</sup>

#### ● KASIKORNBANK FINANCIAL CONGLOMERATE<sup>2)</sup>

(Unit: Percent)

Capital Adequacy Ratio	Basel III					
	Minimum Requirements including Buffer Requirements <sup>3)</sup>	Dec. 31, 2021	Sep. 30, 2021	Jun. 30, 2021	Mar. 31, 2021	Dec. 31, 2020
Tier-1 Capital Ratio	9.50	16.49	16.53	15.86	15.80	16.13
<i>Common Equity Tier-1 Ratio</i>	8.00	15.46	15.49	15.25	15.17	15.48
Tier-2 Capital Ratio	-	2.28	2.29	2.33	2.64	2.67
<b>Capital Adequacy Ratio</b>	<b>12.00</b>	<b>18.77</b>	<b>18.82</b>	<b>18.19</b>	<b>18.44</b>	<b>18.80</b>

● The Bank

(Unit: Percent)

Capital Adequacy Ratio	Basel III					
	Minimum Requirements including Buffer Requirements <sup>3)</sup>	Dec. 31, 2021	Sep. 30, 2021	Jun. 30, 2021	Mar. 31, 2021	Dec. 31, 2020
Tier-1 Capital Ratio	9.50	15.42	15.37	14.68	14.65	14.94
<i>Common Equity Tier-1 Ratio</i>	<i>8.00</i>	<i>14.32</i>	<i>14.28</i>	<i>14.03</i>	<i>13.99</i>	<i>14.26</i>
Tier-2 Capital Ratio	-	2.41	2.42	2.45	2.77	2.80
<b>Capital Adequacy Ratio</b>	<b>12.00</b>	<b>17.83</b>	<b>17.79</b>	<b>17.13</b>	<b>17.42</b>	<b>17.74</b>

Notes: <sup>1)</sup> Excluding net profit of each period, which under the Bank of Thailand's regulations, net profit in the first half-year period is to be counted as capital after approval by the Board of Directors per KBank's regulations. Net profit in the second half-year period is counted as capital after approval of the General Meeting of Shareholders. However, whenever a net loss occurs, the capital must be immediately reduced at the end of period.

<sup>2)</sup> KASIKORNBANK FINANCIAL CONGLOMERATE means the company under the Notification of the Bank of Thailand Re: Consolidated Supervision, consisting of KASIKORNBANK, K Companies and subsidiaries operating in support of KBank, Phetai Asset Management Co., Ltd. and other subsidiaries within the permitted scope from the BOT's to be in a financial conglomerate.

<sup>3)</sup> Bank of Thailand required the Bank to maintain two capital buffers as follows:

- Conservation buffer: BOT required KBank to maintain an additional Common Equity Tier 1 at more than 2.50 percent.
- Domestic Systematically Important Banks Buffer (D-SIBs Buffer): Bank of Thailand required KBank, as a D-SIB to maintain an additional Common Equity Tier 1 at 1.00 percent.

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

During 2021, we continued to implement Value-Based Management (VBM), which is a management practice comprising two main components, Corporate Value Creation and Corporate Governance. The VBM has been applied to business undertaking with the aim of achieving the highest value creation 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 cost of capital – have been adopted as key measurements.

KBank has in place proactive risk management via risk-adjusted return analysis in all credit processes, starting from new credit extension, to assess the ability of portfolios to create value per the established business target. Analysis of asset quality and risk-adjusted return of new credit is conducted to help business units adjust their strategies appropriately for changing economic circumstances, focusing on customer groups or products that create appropriate risk-adjusted return within our risk appetite.

Moreover, we have monitored and measured performance that is consistent with and linked to various management aspects to ensure efficient resource management, performance assessment and value-based profit analysis under the “Customer Centricity” strategy so as to strengthen our competitive advantage in the dimensions of customer segments and product domains, paying attention to the linkages between them so as to attain the highest efficiency in capital usage.

## 4.7 Credit Ratings

In 2021, the Bank's credit ratings given by Moody's Investors Service, and Fitch Ratings remained unchanged from the end of 2020. However, in the fourth quarter of 2021, Standard & Poor's raised the outlook on the long-term ratings of KBank, to negative from watch negative, as the Bank was able to maintain adequate capital and strong liquidity to buffer against uncertainty stemming from the COVID-19 outbreak.

Details are shown in the following table.

<b>KASIKORNBANK's Credit Ratings</b>			
Credit Ratings Agency	Dec. 31, 2021	Dec. 31, 2020	
<b>Moody's Investors Service <sup>1)</sup></b>			
<u><b>Foreign Currency</b></u>			
Outlook	Stable	Stable	
Long-term - Senior Unsecured Notes	Baa1	Baa1	
- Deposit	Baa1	Baa1	
- Counterparty Risk	A3	A3	
- Subordinated Debt	Baa3	Baa3	
Short-term - Debt/Deposit	P-2	P-2	
- Counterparty Risk	P-2	P-2	
Baseline Credit Assessment	baa1	baa1	
<u><b>Domestic Currency</b></u>			
Outlook	Stable	Stable	
Long-term - Deposit	Baa1	Baa1	
- Counterparty Risk	A3	A3	
Short-term - Debt/Deposit	P-2	P-2	
- Counterparty Risk	P-2	P-2	
<hr/>			
<b>Standard &amp; Poor's <sup>1)</sup></b>			
<u><b>Global Scale Ratings</b></u>			
Outlook	Negative	Watch Negative	
Long-term Counterparty Credit Rating	BBB+	BBB+	
Long-term Certificate of Deposit	BBB+	BBB+	
Short-term Counterparty Credit Rating	A-2	A-2	
Short-term Certificate of Deposit	A-2	A-2	
Senior Unsecured Notes (Foreign Currency)	BBB+	BBB+	
<hr/>			
<b>Fitch Ratings <sup>1)</sup></b>			
<u><b>International Credit Ratings (Foreign Currency)</b></u>			
Outlook	Stable	Stable	
Long-term Issuer Default Rating	BBB	BBB	
Short-term Issuer Default Rating	F3	F3	
Senior Unsecured Notes	BBB	BBB	
Viability	bbb	bbb	
Subordinated Debt (Basel III-compliant Tier 2 securities)	BB+	BB+	

Credit Ratings Agency	Dec. 31, 2021	Dec. 31, 2020
Support	2	2
Support Rating Floor	BBB-	BBB-
<b><u>National Credit Ratings</u></b>		
Outlook	Stable	Stable
Long-term	AA+(tha)	AA+(tha)
Short-term	F1+(tha)	F1+(tha)
Subordinated Debt (Basel III-compliant Tier 2 securities)	AA-(tha)	AA-(tha)

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

## 4.8 Impacts of COVID-19 Pandemic

The overall Thai economy in 2021 remained pressured by the COVID-19 pandemic. The viral transmission affected economic activity both at home and abroad. As Thai people's lives were beset by this crisis, KBank implemented relief measures to assist our customers under a prudent integrated risk management approach. We have proactively monitored customer risk in order to implement appropriate assistance measures for mitigating the pandemic's impacts. We have continually adopted a prudent approach in setting aside expected credit loss to ensure that our provisions are sufficiently proactive to cope with potential damages and uncertainties, accounting for the prevailing economic circumstances.

Meanwhile, KBank is aware of the risks and impacts of COVID-19 on our customers' and employees' lives and safety, continuity of our business operation and service provision, and the business undertakings of our customers, suppliers and other stakeholders. We have established proactive risk management, which comprehensively covers continual prevention, monitoring and response. This has prompted us to manage the situation in an effective and timely manner. We have thus far seen no significant impact on our business operation or our employees' quality of life and well-being.

In 2021, KBank had robust capital position for coping with potential risks while also managing liquidity at an appropriate level, which was sufficient for providing loans and supporting economic activity on a continual basis.

Details on the impacts of COVID-19 can be found in Form 56-1 One Report, Management Discussion and Analysis, Notes to Financial Statements and the Sustainability Report 2021.

## 5. Operations of Support Groups

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### 5.1 Human Resource Management

KBank appropriately implemented the People Strategy, accounting for COVID-19 control measures and in alignment with our K-Strategy. Key initiatives were as follows:

**1. Ensure Suitable Great Leaders and Culture:** We have established qualifications for purposeful and practical leadership in line with KBank's expected behavioral guidelines which comprise self-awareness, result orientation, team building and integration. This is to ensure that actions will be taken with self-awareness, accounting for teamwork, customers and the organization throughout the work process. KBank organized activities to promote leadership development on a continual basis, starting with the recruitment process. New interview selection and probation criteria have been established in conformity with the organization's expected behavioral guidelines regarding leadership values. We also held an executive seminar on purposeful and practical leadership for First Vice Presidents and other executives at higher positions wherein the participants learned from experiences of exemplary world-class leadership which could be further applied to their work in alignment with our expected behavioral guidelines. In addition, learning courses titled "Hi Leaders in Action Season 2: Make Meetings Meaningful" were held via the Tips Trick program – a forum to share the valuable experience of KBank Presidents.

**2. Enable Growth Strategy and Customer Responsiveness:** KBank conducted organizational restructuring and selected personnel to support KBank's business development. We focused on enhancement of employee skills, experience and abilities to cope with changes, and accounted for various opinions, especially of those engaged with business expansion within the region, data and analytics, and strategy formulation. Moreover, employees' capabilities have been enhanced to be aligned with an agile way of work amid rapid technological changes. The performance evaluation has also been revised to accommodate this new work format.

KBank has established guidelines for an agile way of work which comprise four steps, accounting for employee engagement and the Code of Conduct to ensure a systematic and fair work environment. They are, i.e.,

- 1) **Agile mindset/Skill set:** Employees have been encouraged to work with flexibility, dare to be creative and innovative, and stay ahead of changes. To this end, we arranged learning courses on the agile way of work presented by experts from the Agile Center of Excellence.
- 2) **Common Way of Work:** Focus has been on practical teamwork which is aligned with new work formats amid the COVID-19 pandemic.
- 3) **Agile WoW:** Our employees have been urged to embrace an agile way of work in order to maximize flexibility and speed of cross-departmental work. We also organized the Way of

Work Award (WoW Award) activities to recognize outperforming employees and boost morale among colleagues.

- 4) Community of Practices: We have encouraged employees who have no experience in an agile way of work to learn from practices and from others, thus creating a community of practices where colleagues come together to share best practices with each other.

To elevate capabilities of employees engaged with the regional business, KBank developed the Employee Value Proposition KBank (Best Place to Work, Learn and Lead) program to support our drive in penetrating the regional market in alignment with our strategy of becoming the regional leader. Moreover, we highlighted the “World of Borderless Growth” concept to communicate to the new generation on borderless growth opportunities, as we aspire to be an organization that serves as the foundation of the Thai society and the AEC region, alike.

### 3. Employee Engagement and Relations

- **Guidelines for Human Resource Management during the COVID-19 Pandemic:** KBank provided assistance and morale support to all employees, both those working in close contact with customers and our back office staff. We offered each employee Baht 10,000 as a morale boost amid the COVID-19 crisis, while also arranging an alternative booster dose against the COVID-19 and providing our staff members assistance in RT-PCR test and hospital admission. Moreover, an annual health checkup was organized for employees with the option of using the service at a hospital arranged by KBank or another hospital as they wished.
- **Employee Relations and Benefits:** KBank arranged meetings of the KASIKORNBANK Labour Union, KASIKORNBANK Officer Labour Union and KBank executives. We also held a group meeting of the Employee Committee on a regular basis under the COVID-19 prevention measures. These meetings allowed for consultations and problem-solving discussions between employees and KBank to strengthen our relationship.

## 5.2 IT Management

In 2021, KASIKORN BUSINESS-TECHNOLOGY GROUP (KBTG) prioritized the study and development of new financial technology in response to the transition to a cashless society using the new era’s technological infrastructure, and the search for innovations in line with KBank’s strategic direction. These endeavors were undertaken with efficient work processes under international standards and the latest cyber security control system. An effective management regime has also been put in place to cope with short-, medium- and long-term impacts during the transition, to achieve KBank’s strategy of maintaining our competitiveness and becoming the trusted regional leader in the technological realm. Major initiatives can be summarized as follows:



1. **Development of products and services** to be consistent with the ever-evolving consumer behavior and technological innovation.

- **Developed Coral platform:** Developed by KASIKORN X Co., Ltd., Coral is a non-fungible token (NFT) marketplace platform that comes with outstanding features, namely artists' authentication system, and NFT trading using fiat currencies without the need to convert them to cryptocurrencies, while also unlocking a new user experience of the multiverse that merges the online and offline worlds. In the initial stage, KBTG has teamed with two partners, i.e., Siam Piwat Co., Ltd. that offers art, culture and lifestyle innovations, and GMM Grammy Public Company Limited which offers music NFTs of popular artists via this platform.
- **Developed THG Hycar service:** KBTG teamed with Thonburi Healthcare Group Public Company Limited (THG) in developing THG Hycar – a COVID-free shuttle car service that can be booked via THG's official LINE account.
- **Developed InsurTech service – an AI-based vehicle inspection:** The first of its kind in Thailand, this digital platform, which is a co-innovation of KBTG and Muang Thai Insurance Public Company Limited, is used for pre-insurance car inspection. InsurTech combines the development of image processing and artificial intelligence (AI) technology into an AI as a Service model for car damage detection model creation.
- **Developed and improved K PLUS application:** Focus was on enhancement of K PLUS service capabilities. Notable initiatives included:
  - (1) Added the "Quick Banking" menu option to allow users to adjust their menus on the first page by themselves, as well as the "Special for You" menu option to offer select promotions that better meet individual users' needs.
  - (2) Added features that can effectively respond to clients' demands. They include:
    - QR code scanning to pay with K Points: This feature can be used with any bank that accepts QR code payment. Exclusively at K PLUS shop, customers can use K Points together with the money in their account to make payment.
    - K PAY LATER: This loan product allows customers to scan QR code to make bill payment, while installment payment can be made for up to five months.
    - Account statement inquiry can be made for up to 12 months.
  - (3) Chinese Yuan (CNY) has been added to the outward remittance service, allowing customers to make funds transfer in CNY to DBS Bank Limited in Singapore.

2. **Business expansion within the region:** In alignment with KBank's strategies, we have focused on developing products and services as follows:

- **Upgraded services in the Socialist Republic of Vietnam:** Our representative office in Ho Chi Minh City was upgraded to the status of an international branch – the first KBank branch in Vietnam.

We have prioritized internet banking, digital lending and funds transfer services with other financial institutions, both private and public.

- Launched an internet banking service in Kingdom of Cambodia
- Introduced an e-visa service in the Federal Republic of Germany, Republic of Austria, Republic of Finland, Kingdom of the Netherlands, Kingdom of Belgium and Switzerland.

## 6. KASIKORNBANK's Investments in Subsidiaries and Associated Companies

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### □ Subsidiaries and Associated Companies

The definitions of subsidiaries and associated companies are in alignment with those specified in the Thai Financial Reporting 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 benefits. KBank and such companies collaborate in 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 in place of KBank units that are not our core business and would be relatively inflexible under KBank's operation. Our executives are appointed as directors of these companies to oversee their management and operating policies. These directors are assigned to maintain control over such firms' operations, which helps to ensure that their undertakings are in accordance with standardized service quality and maximized efficiency, and are thus of benefit to KBank.

In 2021, KBank expanded its investment in the following companies which are part of KASIKORNBANK FINANCIAL CONGLOMERATE:

1. Kubix Digital Asset Co., Ltd. (Kubix): Wholly-owned by KBank through KASIKORN X Co., Ltd. with a registered capital of Baht 70 million, the company operates as an initial coin offering (ICO) portal.
2. KASIKORN VISION FINANCIAL PTE. LTD.: Located in Republic of Singapore, it is a wholly-owned subsidiary of KBank with registered capital of USD 100,000 and operates a holding business.

## 7. Shareholder Risk Management

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Investments in KBank common shares may incur shareholder risk, as the returns on investment, which vary with KBank share prices, share liquidity and investment overall, may not meet shareholders' expectation. Meanwhile, KBank dividend payments are also dependent upon KBank operating results. Therefore, shareholders may have returns that are higher or lower than their expectations.

Key risks and risk management guidelines employed by KBank are identified. However, risks other than those specified therein may be incurred; shareholders are urged to study all risk factors and cautiously deliberate upon any investment before making a decision given that KBank may not be able to prevent all risks that could arise, including the fluctuation of numerous factors that have the potential to affect KBank performance and dividend payments, e.g., domestic and international economic conditions, pandemic, political situations, capital movements, changes in government policies, and other unpredictable incidents. Furthermore, KBank's dispersed ownership structure, with its high incidence of foreign shareholding, could induce fluctuations in KBank share prices, particularly when there is incidental market concern towards the economic, pandemic, and political environment that could affect capital movements.

**Disclaimer**

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Certain statements shown in this report are forward-looking statements in respect of the financial position or the performance of KASIKORNBANK PUBLIC COMPANY LIMITED ("KBank"). KBank has prepared such forward-looking statements based on several assumptions, and has relied on financial and other information available from public sources as of the date such statements were made. Statements containing words such as "expect", "believe", "estimate", etc. and other similar expressions, are considered as forward-looking statements which involve uncertainties and are subject to changes at any time due to future events, including but not limited to, changes in global/national economic, political and regulatory environment. Accordingly, the readers or the recipients of information shall carefully review this report and make their own independent decision as well as thoroughly evaluate such fact or information which may have changed prior to making any investment or entering into any transaction.

A large, solid green abstract shape that starts as a thin point at the top left and curves downwards and to the right, ending in a vertical line at the bottom right. The shape is smooth and organic in form.

[www.kasikornbank.com](http://www.kasikornbank.com)  
K-Contact Center 02-8888888