



KASIKORNTHAI

Management Discussion and Analysis (MD&A)

For the Quarter Ending March 31, 2022

ธนาคารกสิกรไทย
开泰银行 KASIKORNBANK



บริการทุกระดับประทับใจ

Executive Summary of Management Discussion and Analysis For the Quarter Ending March 31, 2022

The Thai economic recovery was challenged somewhat in the first quarter of 2022. While exports, government spending and stimulus measures helped support the overall economy, both private consumption and investment were subdued amid concerns about the COVID-19 outbreak and rising inflation, oil prices and production costs. The Thai economic growth outlook will remain uncertain due to the prolonged COVID-19 situation and the Russia-Ukraine conflict which continue to impact energy prices and the global economy. Under these circumstances, the business sector may face an uneven or disrupted recovery, while employment may be depressed. This could have repercussions for our customers' financial standing and KBank's operating performance.

Amid the turbulent economic environment, KBank operated its business in line with the principles of a Bank of Sustainability, accounting for the balance of three dimensions – economic, social and environmental – along with appropriate risk management and effective cost management in order to empower every customer's life and business. We prioritized 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 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 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.

KBank and its subsidiaries reported net profit for the first quarter of 2022 amounting to Baht 11,211 million, an increase of Baht 1,310 million or 13.23 percent from the preceding quarter. The increase could be attributed largely to net interest income which rose by Baht 951 million or 3.09 percent, in line with loan growth. Meanwhile non-interest income decreased by Baht 2,861 million or 24.40 percent due mainly to the mark to market of financial assets in line with market conditions and decrease in net premiums earned - net. Other operating expenses decreased by Baht 3,088 million or 15.08 percent. Moreover, KBank and its subsidiaries set aside expected credit loss close to that of the preceding quarter as we maintained a prudent approach in our business operations. Coverage ratio as of March 31, 2022, stood at 158.33 percent. Meanwhile, net interest margin (NIM) increased to 3.19 percent, and cost-to-income ratio stood at 42.82 percent.

With regard to our capital position, capital adequacy ratio (CAR) of KASIKORNBANK FINANCIAL CONGLOMERATE according to the Basel III Accord was 18.34 percent, with a Tier 1 capital ratio of 16.35 percent and Common Equity Tier-1 Ratio of 15.31 percent, both of which were greater than the Bank of Thailand's requirement, reflecting our robust capital position which is adequate for continuously operating our business under both normal and stressed situations. Through its efficient capital management, KBank could conduct business with optimal capital structure and effective capital management.

The operating performance of KBank and K Companies for the first quarter of 2022 thus met our business targets as expected in line with the economic conditions. All of our endeavors were undertaken with prudence and in step with the ever-changing environment, together with awareness of the economic uncertainty that persists. We also assessed the prevailing circumstances, allowing us to devise plans to cope with any potential impacts on our business while also giving our customers support in an efficient and timely manner.

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1. Overview of Operating Environment

1.1 Global and Thai Economy in the First Quarter of 2022

The global economy faced multiple challenges in early 2022. Among them was the Russia-Ukraine conflict which sent prices of oil and commodities as well as production costs soaring. This prompted inflation in many countries to accelerate in tandem. This inflationary surge influenced the implementation of monetary policy of several central banks. As evidenced, the US Federal Reserve, which started its upward cycle of interest rates in March 2022, is likely to adopt a tightening stance throughout the remainder of this year via the accelerated increase in its policy rate along with balance sheet reduction. Meanwhile, the Bank of England, the Reserve Bank of New Zealand and the Bank of Korea continued to signal increases of their respective policy rates. Likewise, the European Central Bank and several other central banks started to adopt more stringent guidelines in an effort to tame inflation. However, the Bank of Japan and the People's Bank of China still maintained a loose monetary policy to support their countries' economic recovery.

The new wave of COVID-19 in China led to the imposition of lockdown measures in several major cities, which crippled economic activity across many sectors of the mainland. Therefore, the Chinese economy is set to decelerate throughout the first half of 2022. Given the Chinese economic slowdown and the Russia-Ukraine conflict, the International Monetary Fund's World Economic Outlook in April cut its 2022 global economic projection to 3.6 percent from the previous forecast of 4.4 percent, compared to growth of 6.1 percent in 2021.

Overall, the Thai economy in the first quarter of 2022 suffered from several limitations which inhibited any potential recovery. While its exports consistently performed well, and the Thai government continually rolled out new measures to alleviate economic impacts and maintain consumers' purchasing power, factors like the ongoing COVID-19 outbreak, rising inflation rate, surging oil prices and higher production costs weighed down on private sector spending, including household consumption and investment of the business sector. Even though Thailand's economic growth this year is expected to outshine that of 2021, close attention should be paid to the ongoing war in Ukraine, as well as China's slower economic growth, which may continue to impact the global economy and Thai exports, alike. Meanwhile, the COVID-19 outbreak and pressures from soaring costs and inflation could eventually affect domestic spending. Regarding Thailand's monetary policy, the Bank of Thailand will likely favor an accommodative stance to sustain the recovery of economic activity, despite rising inflationary pressures. For this reason, Thailand's policy rate will tend to stay unchanged at 0.50 percent for the better part of 2022.

1.2 Banking Industry and Competition

Thai commercial banks' overall performance in the first quarter of 2022 recorded an increase in net profit, both over-year and over-quarter. Compared to the fourth quarter of 2021, net profit rose due to a decrease in expected credit loss and operating expenses. Meanwhile, income from core businesses remained under pressure amid an uneven economic recovery. Despite ongoing loan growth, net interest income inched up

slightly. Meanwhile, net interest margin (NIM) declined in line with yield on loans. Net fees and service income dropped due mainly to a decrease in fees from credit card, bancassurance and mutual fund businesses. At the same time, non-interest income was also pressured by the mark to market of financial assets in line with market conditions. Regarding asset quality, NPLs to total loans in the first quarter of 2022 decreased due to commercial banks' acceleration of customers' debt restructuring and proactive asset quality management.

At the end of the first quarter of 2022, loans to customers and accrued interest receivables-net at 18 domestically registered commercial banks rose 0.95 percent from the end of 2021 and 6.14 percent, over-year, due mainly to an increase in business loans, especially those granted to large corporate customers. Meanwhile, outstanding deposits saw increases of 2.25 percent and 5.88 percent, compared to the end of 2021 and the same period of last year, respectively. The increases were derived mainly from savings deposit.

Looking forward to the remainder of 2022, the slow economic recovery will not only present a major challenge for commercial banks in maintaining their income from core businesses, but could also exacerbate asset quality woes. As a result, commercial banks will be compelled to closely monitor their customers so as provide them the appropriate assistance, while also expediting their efforts in long-term debt restructuring to suit debtors' potential and debt servicing ability. Meanwhile, new paths and strategies for growth via new revenue streams must be sought, especially from customers via online channels and digital platforms.

1.3 Significant Regulations and Rules related to Business Operations

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

- **Rules for Operating Joint Venture to Resolve Non-Performing Loan Problem Caused by the Spread of COVID-19**

The Bank of Thailand issued Notification No. SorNorSor. 1/2565 (2022) Re: Rules for Operating Joint Venture to Resolve Non-Performing Loan Problem Caused by the Spread of COVID-19, dated January 14, 2022, in order to encourage banks and asset management companies to set up a joint venture. The rules, coming into effect January 27, 2022, are under the following conditions:

1. Format and conditions
 - A joint venture must be set up by a bank or a company within the bank's financial conglomerate and an asset management company with an equal shareholding ratio and under joint control as required by the accounting standard.
 - A joint venture shall purchase or accept the transfer of non-performing assets from a bank under the joint venture and other banks at a fair value.
 - A joint venture must be set up within December 31, 2024, and operate for not more than 15 years from the inception date.

2. Relaxation of related criteria

- A bank can directly and indirectly invest in the joint venture, with shares held at more than 10 percent.
- A bank may grant loans, invest, create obligations or credit-like transactions at more than 25 percent of the joint venture's total liabilities.
- In cases where a bank, which appoints its high-ranking executives to be persons with managing authority of a joint venture, grants loans, conducts credit-like transactions or guarantees debt obligations for a joint venture, it must comply with Section 48 of the Financial Institution Business Act, B.E. 2551 (2008).

KBank is now taking actions in accordance with the Bank of Thailand's guidelines.

● **Guidelines for Debt Restructuring of Multi-Creditor Businesses**

The Bank of Thailand issued Circular No. BOT.ForKhorNgor.Wor. 83/2565 (2022) Re: Guidelines for Debt Restructuring Program for Multi-Creditor Businesses, dated February 4, 2022, with the aim of supporting multi-creditor businesses to undergo debt restructuring with efficiency and continuity under a common standard. The Circular stipulates supervision criteria, related reporting as well as the program implementation period, which takes place from January 1, 2022, to December 31, 2023. Major points of the program can be summarized as follows:

1. Guidelines for debt restructuring and eligibility

- Guidelines for debt restructuring: The financial institution which is the creditor and the debtor shall adhere to the Memorandum of Understanding (MOU) and any other practical guidelines or criteria jointly established by creditors in discussion with the Bank of Thailand.
- Eligibility: To qualify for the program, businesses must be affected by the COVID-19 outbreak, must not be in a litigation process, and must have at least two creditors with combined loan limits of not less than Baht 250 million.

2. Actions to be taken, supervision and preparation of related reports

- Communication must be made with debtors about the assistance program, while procedures/channels for providing aid and advice must be in place for customers seeking to join the program.
- Communication must be made with relevant bank personnel to ensure their common understanding and practices, thus allowing them to provide debtors assistance and advice in a timely manner.
- Debt classification and provisioning must be in accordance with criteria and guidelines for debt restructuring as established by the Bank of Thailand.
- Progress report on debt restructuring must be prepared and submitted to the Bank of Thailand per the established format while information on debt restructuring must be reported to National

Credit Bureau Company Limited based on the criteria determined by the Bank of Thailand and Committee for the Protection of Credit Information.

KBank has put in place relevant procedures in alignment with the Bank of Thailand's guidelines.

- **Compliance with and Adoption of FX Global Code**

The Bank of Thailand issued Circular No. ForTorNgor.(41) Wor. 1/2565 (2022) Re: Compliance with and Adoption of FX Global Code, dated January 10, 2022, in order to promote the integrity and effective functioning of the Thai wholesale foreign exchange market to be on par with international standards based on the principles of good corporate governance, transparency and fairness, thus creating a more level playing field. In detail:

1. Work performance in a trading room and other related processes shall be in accordance with international best practices adopted by global participants for the wholesale financial markets (FX Global Code), initiated by the Global Foreign Exchange Committee (GFXC). Banks must fully adopt the FX Global Code by the end of 2024.
2. From 2025 onwards, the Bank of Thailand has stipulated that adoption of and compliance with the FX Global Code will become a prerequisite for the Bank of Thailand's foreign exchange counterparties.
3. A working group has been set up to prepare for the adoption of and compliance with the FX Global Code.
4. Progress report on operations related to the FX Global Code must be submitted to the Bank of Thailand by November 30 each year until the complete adoption of the FX Global Code.

KBank has set up a working group to prepare for the adoption of and compliance with the FX Global Code. We have monitored the work performance in a trading room and other related processes to ensure that they are in alignment with the Bank of Thailand's guidelines.

- **Guidelines for the Calculation of Interest Rates for Financial Transactions Referencing the Thai Overnight Reference Rate (THOR)**

The Bank of Thailand issued Notification No. SorKorNgor. 2/2565 (2022) Re: Guidelines for the Calculation of Interest Rates for Financial Transactions Referencing the Thai Overnight Reference Rate (THOR), dated February 4, 2022, effective February 16, 2022. The salient point of this Notification requires that the compound average must be used as the main method for calculation of interest rates for financial transactions based on THOR. This Notification aims to provide banks clear and transparent methodology, which is also in line with international standards. This will help reduce the basis that will occur from different calculation methods, as well as helping to ensure interest calculation in a transparent and fair manner.

However, in the case that banks utilize a different methodology for calculating interest rates for financial transaction, an explanation of the rationale for and necessity of such actions must be provided to the Bank of Thailand. Moreover, counterparties to the contract shall be informed of the differences between THOR and a

forward-looking term rate, including specific details concerning the calculation of interest amount for each payment period, such as the formula to calculate interest rates for financial transaction.

KBank has taken actions per the Bank of Thailand's guidelines.

- **Collection of Fees for Registration of Rights and Juristic Acts under Land Code in Case of Residential Properties**

The Government Gazette dated January 17, 2022, published the Notification of the Ministry of Interior Re: Collection of Fees for Registration of Rights and Juristic Acts under Land Code in case of Residential Properties or Commercial Buildings or Land together with Residential Properties or Commercial Buildings in accordance with the criteria established by the Cabinet to provide support to and relieve the burden of people seeking to own a home while also bolstering and maintaining economic activity in the real estate sector and related businesses. This Notification is effective from January 18, 2022 to December 31, 2022.

Property transfer fee and mortgage registration fee in connection with the property transfer registration on the same occasion will be collected at the rate of 0.01 percent. The rate shall be applied to purchase of residential properties in the categories of detached house, duplex house and townhouse or commercial building or land together with building of which the purchase price and appraised value does not exceed Baht 3,000,000 and the mortgage limit does not exceed Baht 3,000,000. Buyers of the property must be an individual of Thai nationality.

2. Risk Management and Risk Factors

2.1 Credit Risk Management

In the first quarter of 2022, KBank maintained its policy of ongoing issuance of relief measures for customers reeling from the COVID-19 outbreak to ensure that they can survive the crisis. Based on data analytics, we assessed impacts on our clients and business recovery trends. Along with this, we closely monitored quality of loan portfolios via various indicators under appropriate risk management guidelines, including risk identification, risk-based customer classification and prioritization of customer assistance in alignment with the Bank's policy of sustainable relief measures. Our officers have worked closely with borrowers to promptly provide them advice and consultation, ensuring that appropriate aid measures are offered to each customer segment in a timely manner, thus mitigating potential losses for both borrowers and KBank. These efforts will ensure that customers can regain their footing and continue their businesses with improved financial standing and debt servicing ability under the new conditions for debt repayment.

Under these circumstances, we sought to acquire new clients and develop new credit products, targeting various customer groups. KBank has focused on the improvement of loan approval guidelines, risk indicators, customers' early warning sign detection and behavior monitoring to ensure efficient credit risk management and monitoring processes.

Meanwhile, KBank has dynamic provisioning management to appropriately set aside expected credit loss, which is in line with our prudent business operations amid ongoing economic uncertainties and the resurgence of COVID-19. KBank has also focused on portfolio management to control credit concentration within the established limits. Loan growth targets have also been established in alignment with prevailing economic conditions in order to maximize returns under an acceptable risk appetite.

2.2 Market Risk Management

While the impact of the COVID-19 outbreak on the global economy eased and several countries started to relax their disease prevention and control measures, the Russia-Ukraine conflict had major repercussions for the global money and capital markets in the first quarter of 2022. Amid uncertainty stemming from the war, financial markets worldwide were on a volatile course. As evidenced, soaring energy prices kept inflation rising unabated. To tame inflation, the Federal Reserve hiked its policy rate by 25 basis points to a range of 0.25-0.50 percent in March while also signaling further increases for the entire year. This move only added more volatility and uncertainty to the market. However, the Bank of Thailand sent no signal of any policy rate increase.

Amid volatile money and capital markets, KBank is closely monitoring the situation and assessing possible impacts of changes in market rates. Along with this, we have continuously conducted analyses on surrounding circumstances to ensure that effective actions are appropriately taken in a timely manner to cope with such volatility. KBank has also placed importance on efficient risk management under the supervision of

the Risk Oversight Committee, Market Risk Management Sub-committee and Enterprise Risk Management Division, to maintain risk within specified, prudent limits.

2.3 Liquidity Risk Management

Given the government's COVID-19 measures that aimed to ease its impact on the Thai economy, brighter exports in line with improving external demand and increasing international tourist arrivals thanks to the country's reopening policy in this quarter, loan volume rose in line with deposits. Overall, the Bank's liquidity remained high, being almost unchanged from the end of the previous year.

However, KBank kept close watch on numerous risk factors. These included volatility in money and capital markets, concerns about surging inflation, the Federal Reserve's signal towards continual policy rate hikes throughout this year, and the ongoing Russia-Ukraine war.

KBank has prepared and considered options appropriate for management of Baht and foreign currency liquidity to prevent any potential liquidity constraint. We are therefore closely monitoring and analyzing related developments. Subject to our regular reviews and improvements in liquidity risk management processes at KBank, these actions are consistent with economic circumstances and rapid changes in financial asset prices. We continue to emphasize proactive risk management via the supervision of the Risk Oversight Committee, Assets and Liabilities Management Sub-committee and Enterprise Risk Management Division to maintain risk within specified limits. In addition, we are watchful for any potential impacts on our loan level, deposits and liquidity, both short- and long-term, to ensure that we adopt appropriate fund-raising strategies.

3. Business Directions and Operations of Core Businesses

3.1 Sustainable Development and Corporate Governance

In the first quarter of 2022, the Corporate Governance Committee of KBank approved a sustainable development plan for 2022 in order to advance the sustainable development policy and our Net Zero Commitment as announced by KBank.

We also set up a Climate Pillar working group to be in charge of the management of climate change. Business Plan and Objective Key Results (OKR) were proposed to the Sustainable Development Sub-committee. In this quarter, KBank unveiled the 'GO GREEN Together' project to help connect and promote a comprehensive green ecosystem in Thailand while also encouraging the general public to join forces in achieving Thailand's Net Zero emissions goal. To this end, we launched the 'GREEN ZERO' loan campaign which features EV car loan, home loan for solar panel installation, business loan for solar panel installation, and energy-saving loan.

Meanwhile, KBank is determined to continuously 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. Our major Corporate Governance operations included:

- Reviewing the internal regulation on securities and stock futures trading by directors, preparing the Credit and Investment Screening Committee Charter and reviewing the Board of Directors Charter and Statement of Corporate Governance Principles to ensure that they are appropriate, up-to-date and consistent with corporate governance best practices and KBank's business operations;
- Formulating a strategic plan for Corporate Governance operations and activities in 2022;
- Arranging for employees and executives to sign in acknowledgement of compliance with the Code of Conduct for 2022 via electronic system and LINE KONNECT+;
- Communicating with directors, executives and employees on the Statement of Corporate Governance Principles, the Code of Conduct and the Anti-Corruption Policy, the silent period for securities and stock futures trading and disclosing information related to the Bank's operating results as well as the prevention of the use of inside information, and communicating the No Gift Policy to our customers, suppliers and companies within KASIKORNBANK FINANCIAL CONGLOMERATE;
- Organizing training courses on Governance, Risk Management and Compliance (GRC) for executives via Microsoft Teams;
- Providing the opportunity for all shareholders to submit issues for inclusion in the agenda of the General Meeting of Shareholders No. 110 in advance.

3.2 Business Directions of KASIKORNBANK and the Wholly-owned Subsidiaries of KASIKORNBANK

KASIKORNBANK has established business directions and strategic plans in accordance with the principles of a Bank of Sustainability, accounting for the balance of three dimensions – economic, social and environmental – 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. In the first quarter of 2022, we continued to carry out our strategic imperatives as follows:

- Dominate digital payment across all platforms with the aim of embedding in customers' ecosystems
- Reimagine commercial and consumer lending: Based on financial transaction data of our customers, we offer products that meet their needs, considering risk-based pricing while also introducing digital lending with the aim of expanding low-income retail customers.
- Democratize investment and insurance, targeting previously inaccessible groups
- Penetrate regional market to access customers in other AEC+3 countries: Focus was on expanding our loan products to corporate customers who have cordial relationships with KBank and our business partners. We also developed digital channels for financial transactions and technological infrastructure to accommodate our venture into the digital lending space, targeting retail customers in each country.
- 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 focused 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. These endeavors are undertaken with our good corporate governance, strict compliance with related rules and regulations and efficient capital management, 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 in order to drive our organization towards sustainable growth. Given these efforts, we can meet the expectations and needs of all stakeholders.

3.3 Customer Segments and Services

In the first quarter of 2022, 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. We thus focused on providing assistance, either directly or indirectly, to 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 at any given period. Major initiatives were as follows:

High Net Worth Individual: KBank continued to focus on a '3S' investment strategy – 'S-Curve' to search for new alternatives to increase the chance of future returns, 'Sharing' and 'Sustainability'. Therefore, KBank worked with KASIKORN ASSET MANAGEMENT Co., Ltd. and Lombard Odier in launching mutual funds under the K-ALLROAD Series theme. They are K All Roads Fund Not for Retail Investors (K-ALLROAD-UI), K All Roads Growth Fund Not for Retail Investors (K-ALLGROWTH-UI) and K All Roads Enhanced Fund Not for Retail Investors (K-ALLENHANCE-UI). Given their distinctive features, these funds can generate appropriate returns regardless of circumstances thanks to their flexibility in portfolio adjustment to best suit market conditions. These three funds are also core ports under the K-Alpha strategy that focuses on stability for customers' portfolios.

Meanwhile, KBank prioritized communication to customers so that they could receive up-to-date information to ensure their full understanding of domestic and global circumstances. We also focused on proper investment strategies via various channels including private bankers and seminars. Notable initiatives were an online seminar titled "2022 Outlook: The Cycle is Maturing", which provided perspectives towards the current situation and investment strategies from investment specialists based in Geneva, Switzerland, and the "Thai Private Equity Fund Q1 2022 Update" seminar to give insights on private equity, an interesting alternative investment amid high volatility in the capital market. We also worked with media and influencers on social media outside KBank in producing short video clips and infographics to communicate with investors, allowing them diverse options in receiving information aside from the KBank Private Banking YouTube channel, LINE Official Account and Facebook group.

Affluent: KBank introduced Life Insurance: Endowment 3/2 which features a short-term insurance plan with three-year coverage and two-year premium payment that provides an internal rate of return (IRR) of 2 percent.

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

- The 'GO GREEN Together' project: KBank aims to be a pioneer in encouraging all Thais to take collaborative action to conserve the environment in order to achieve Thailand's net zero goals. To this end, we have launched the 'GREEN ZERO' loan program for retail clients as follows:
 - (1) Loans for electric vehicles, i.e., battery electric vehicles (BEVs): The maximum loan limit offered is Baht 12 million, with loan term of up to seven years. Special promotions include worry-free 90-day free drive.
 - (2) Home loan for solar panel installation: The program, targeting both new and existing customers, offers interest-free installment payment for three months.
 - (3) 'Green Home Loan' program: KBank has teamed with Sansiri Public Co., Ltd. in unveiling this home loan campaign offering 100-percent loan limit with a special interest rate of 2.60 percent p.a. on average during the first three years for customers seeking a loan for the purchase of an energy-efficient home equipped with solar rooftop panels, EV charger and home cooling innovations.
 - (4) EV bike rental campaign for SKOOTAR and ShopeeFood riders: The promotion offers these riders discounts for renting an EV bike via K+ market at only Baht 90 per day on average for 30 days and at Baht 120 per day for shorter rental periods.
- Life and health insurance products: We introduced products that focus on life insurance, health and accident coverage at affordable prices in order to access a large group of customers, while also adding a digital sales channel for an enhanced customer experience. In this quarter, notable products offered included Life Insurance: Endowment 315 Participating (Global) which features a 15-year insurance plan with premium payment for only three years, offering minimum return of 0.5-0.7 percent, though customers may get an average return of more than 3 percent based on investment via GS Momentum Builder® Multi-Asset 5S ER by Goldman Sachs. KBank also introduced COVID-19 insurance that provides medical coverage in case of infection with COVID-19 or side effects from COVID-19 vaccination as well as death coverage of up to Baht 500,000, with premium starting at only Baht 400.
- Online gold trading service: Customers having a KBank deposit account on K PLUS can link their account with the GOLD NOW application of Huasengheng Commoditas Company Limited in order to trade or save gold online. The service also accommodates 'OM NOW' ['SAVE NOW'] – a sophisticated new feature that allows customers to conduct real-time transactions and receive funds in full even during non-business hours.

- Home loan campaign: KBank introduced the 'NPA Big Sale' campaign to offer pre-owned homes with full amount of loan limit, interest-free installment payment for six months and a waiver of home transfer fee of up to Baht 200,000.
- Promotion of YouTrip Multi-Currency Card: KBank focused on promoting the use of this card for purchase of goods and services online while also developing service channels to accommodate the revival of tourism. We also launched a promotional campaign with pricing strategy through the offering of competitive foreign exchange rates as well as a waiver of all types of fees to attract more customers to use the service.
- Promotion of spending via e-wallets that link with K-Credit Card: In collaboration with leading e-wallet service providers, namely TrueMoney Wallet, Rabbit LINE Pay, and Dolfin Wallet, KBank launched a marketing campaign offering customers K Points and e-wallet bonuses when spending per the established conditions.
- Promotion of e-Donation: Through the 'e-Donation on K PLUS – Happy Giving' program, KBank aims to continually promote an efficient and transparent donation mechanism to ensure sustainability in Thai society.

■ SME Business

KBank is determined to support our customers beyond banking solutions in order to bolster their competitiveness. Major initiatives were as follows:

- The 'GO GREEN Together' project: We introduced two 'GREEN ZERO' loan programs for business customers, i.e., business loan for solar panel installation that offers a maximum loan limit of 100 percent of the project value, with loan term of up to eight years, and energy-saving loan offering loan limit of 100 percent of investment amount and loan repayment period of up to seven years with interest-free installment payment for three months.
- Life insurance for micro business loan protection under the 'Smart Sure' program: With the aim of helping micro business clients with loan limit of less than Baht 500,000 to gain improved access to life and property insurance products, KBank introduced the 'Smart Sure' program with distinctive features wherein customers can apply for the product easily with no health checkup required while they receive fixed coverage throughout the insurance term plus an optional health rider for critical illness.
- K PLUS Shop service – the one-stop app that helps you get money easily: To facilitate online merchants and those with a physical storefront in receiving cashless payment, the K PLUS Shop service accepts payment via QR code, credit card, China-based e-wallets (Alipay and WeChat Pay), mPOS (mobile point of sale), QR API connectivity as well as payment with the use of K Points. We continue to provide Xpress Loan and many more benefits for merchants via our collaboration with business partners such as BentoWeb, an e-commerce solution; FoodStory, a restaurant

management system program; and StoreHub, an all-in-one POS system for store management – all of these initiatives aim to continually respond to the needs of target merchants.

- **K-Merchant:** KBank has revised the application and terms and conditions for K-Merchant to accommodate QR API merchants with multiple branches. Moreover, the QR Thai Standard fee has been waived until the end of December 2022, while fees for electronic data capture (EDC) machines have been reduced. To upgrade risk prevention in relation to card accepting merchants, we have established a merchant fraud and suspicious transaction operating model to ensure enhanced management efficiency and prevent any potential loss in a timely manner, along with a systematic evidence and transaction monitoring system.
- **K-Payment Gateway:** K Payment Link service has been added, allowing merchants to create their own payment link via K Payment Gateway Merchant Portal for system connectivity via API portal. Merchants can set payment details including payment amount, the starting and ending date of the payment link, and payment type (credit card, debit card or Thai QR). This novel service helps online merchants to receive payment with enhanced convenience and security, with immediate payment result notification.
- **Development of Blue CONNECT service:** KBank has teamed with PTT Oil and Retail Public Company Limited (PTTOR) to expand a payment channel via the Blue CONNECT application that can link to other applications within the PTTOR network, such as the Café Amazon application. Moreover, customers can now sign up for K PAY LATER to make installment payment for fuel purchase at PTT service stations and also repay their loan via Blue CONNECT. We are determined to develop Blue CONNECT to be a 'super app' that can accommodate multiple bill payments, both online and offline, in the future.
- **Payment acceptance service via Facebook Pay:** KBank launched a special campaign for merchants applying for payment acceptance service via Facebook Pay. One notable promotion included discount of up to 50 percent on J&T Express delivery fees. Moreover, merchants can accept payment via credit card, debit card, funds transfer from mobile banking applications and QR code directly via a chat box on Facebook without leaving the application, and with no bank account number required, thus helping to reduce payment errors.

■ **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. These endeavors have been undertaken under our sustainable development policy that aims to encourage our partners, suppliers and customers to join forces in advancing Thailand's net zero commitment.

In the first quarter of 2022, KBank launched business loan for solar panel installation and energy saving loan under the 'GREEN ZERO' loan campaign with 3-month interest-free installment payment offered. Meanwhile, we continued to focus on development of services and transactions via electronic channels to ensure that customers can use services and conduct transactions with no interruption, regardless of circumstances. Another notable initiative in this quarter included the introduction of API Payment that allows our business clients to make real-time funds transfer to retail clients by sending instruction via API portal that connects merchants and KBank, with service available 24 hours a day.

3.4 Service Channels

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

1. **Branch Network:** Key initiatives for branch network management in the first quarter of 2022 included:

- **Domestic branch network:** Taking into account the ever-evolving customer behaviors and the increased use of digital technology for financial services, we focused on development of multiple service channels to offer all customer segments various options in using services anytime, anywhere. To ensure that the available number of branches is appropriate for broader service coverage, we consolidated branches to reduce redundancy, especially those with relatively low traffic, while also developing services and branches' internal processes for enhanced efficiency. Along with this, we adjusted branch models to align with customers' needs in each area. For instance, we now have 15 hybrid branches which offer customers self-service electronic machines, five K PARK locations and two mini-branches which share the space of our business partners to provide basic services.

To ensure broader service coverage of KBank Service at targeted areas in each province across the country, we have added more than 220,000 KBank Service locations via banking agents and machine agents (Boonterm, Term Sabai and Term Dee kiosks) that provide cash deposit/withdrawal, bill payment and identify verification for electronic account opening while also promoting brand awareness via PR media and continual marketing campaigns.

After many countries, including Thailand, have reopened to international tourists under new COVID-19 guidelines that aim to live with the outbreak, KBank's foreign exchange booth service was gradually resumed at airport terminals and other areas where the number of foreign tourists has increased significantly – totaling 25 locations, as well as at select branches across the countries (though only banknote purchase service is available at provincial branches). Moreover, eight automated currency exchange machines are now available. In addition, KBank is developing new foreign exchange service channel, 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. In this quarter, we launched K PLUS Vietnam, which is a mobile banking application available in the Socialist Republic of Vietnam. In the initial stage, services offered include account opening via e-KYC to allow customers to verify their identity via electronic channels, and interbank funds transfer. KBank plans to add more features to K PLUS Vietnam along with the launch of marketing campaigns for enhanced product awareness and increased service use. We aim to have around 400,000 customers using K PLUS Vietnam within 2022.

KBank has thus far rolled out electronic channels in three countries. Notable initiatives last year were the introduction of QR KBank – an e-wallet application available in Lao People's Democratic Republic, and the Payday Loan – a personal loan via Wing Mobile application in Kingdom of Cambodia. We are now developing a mobile banking system in the People's Republic of China, which is expected to go live within this year.

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.

Branches and Financial Service Network

Domestic	Number of Locations		International	Number of Locations	
	Mar. 2022	Dec. 2021		Mar. 2022	Dec. 2021
Branch Network ¹⁾	833	839	Branches of Locally Incorporated Institutions	6	6
Foreign Exchange Booth	74	67	KASIKORNTHAI BANK LIMITED (Lao PDR)	2	2
THE WISDOM	95	95	KASIKORNBANK (CHINA) CO., LTD.	4	4
SME Business Center ²⁾	156	156	Branches	4	4
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 under appropriate cost management. Along with this, we teamed with our business partners in developing functions on electronic machines for enhanced customer responsiveness. In this quarter, voice alert was introduced to prevent customers from leaving their card in the machine after completing their transaction, thus further enhancing the positive customer experience.

Electronic Banking Services

Electronic Banking Services	Number of Units	
	Mar. 2022	Dec. 2021
Self-Service Channel (K-ATM and K-CDM)	10,972	10,911
K-ATM (Automated Teller Machines)	9,022	8,960
K-CDM (Cash Deposit Machines)	1,950	1,951
K-PUM (Passbook Update Machines)	969	979
Automated Currency Exchange Machines	8	8

- **Digital Banking Services:** We have continually developed our banking platform for enhanced efficiency. Focus was on increased linkage of platforms with our business partners across all ecosystems and development of innovations to accommodate changing lifestyles so as to bolster our services and encourage customers to use KBank as their main service channels. These efforts aim to expand our presence in the market while maintaining our leadership in digital banking services – now the most-often used platform in Thailand. 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 launch of new boundless services and technology-driven innovations. Major initiatives were as follows:
 - dStatement – KBank account statement service - available per request from other mobile banking applications: Customers can request account statements of KBank for a period of up to 180 days, with notification on K PLUS after the document has been successfully sent to the requested bank. Currently, six other banks, including Bangkok Bank, Siam Commercial Bank, Krung Thai Bank, Bank of Ayudhya, Kiatnakin Phatra Bank and Government Housing Bank, have joined KBank in offering this service.
 - Development of feature for International Funds Transfer: This feature supports the Chinese Yuan (CNY) in line with our plan for enhancement of services within AEC+3 countries.
 - Increase of interbank funds transfer limit: The limit for interbank funds transfer has been raised to Baht 2,000,000 per transaction from the previous Baht 500,000.
 - Introduction of co-promotions with business partners: Notable campaigns include application for K PLUS and first top-up on Thailand’s leading e-wallets, the Pay with K PLUS LINE MAN campaign that allows customers to make payment via LINE MAN application under the established conditions.
- 2) **K BIZ:** Developed from the former K-Cyber and K-Cyber for SME, K BIZ is a new online service that aims to be a platform that links business-related services to accommodate all formats of financial transactions via multiple features which are designed for business clients, regardless of

their size. K BIZ can be used via various devices to ensure total solutions. Currently, KBank is migrating K-Cyber customers to K BIZ, and the migration of K-Cyber for SME clients will be carried out in the second quarter of this year.

- 3) **K-Payment Gateway:** We have developed the service in conformity with the Payment Card Industry Data Security Standard (PCI-DSS). This service channel has also been continually expanded 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, for payment transactions via debit card and credit card, Thai QR Payment, the Alipay and WeChat Pay e-wallets and Pay with K PLUS. Focus was also on service efficiency enhancement to accommodate the surging volume of online payment transactions via multiple platforms, including website, e-commerce, marketplace platform and food delivery service.
- 4) **KBank Live (Facebook, Twitter, Instagram, YouTube, LINE, TikTok, Blockdit and Clubhouse):** We have developed communication channels to ensure greater customer convenience in using financial services in their daily lives. Among the available services are credit card data inquiry that covers payment amount, K Points, payment notification, available balance and account balance inquiry, notification of incoming-outgoing funds with transaction details, and inquiry of other loans. Customers can also search for and inquire about products/services, promotions and financial knowledge as well as KBank news and information such as the offering of Home to Cash, LINE BK loan and Dolfin Money by KBank loan as well as promotional programs of KBank-Shopee Credit Card and K-Debit Card linked to e-wallets. Through these channels, customers can also access interesting articles of K WEALTH Tips & Trends, namely “Inflation-Beating Investment Tactics,” “Taxes for Online Merchants,” etc.
- 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. Moreover, one newly available service is transmission of account statements between banks (dStatement) via NDID Platform. The two services are 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, building entry/exit and other activities as appropriate.

- **K-Contact Center:** KBank has elevated our services to ensure total solutions as a Customer Fulfillment Center and deliver a beyond-expectation customer experience, thus becoming 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. 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 business performance, earning the recognition of various organizations at home and abroad, proven by many awards granted during the first quarter of 2022, notably:

Awards to KBank and K Companies

- Six awards: Top Investment Houses in Asian Local Currency Bond, Best IPO, Top Arranger - Investors' Choice for Primary Issues, Corporate Bonds (THB, Rank 1), Top Arranger - Investors' Choice for Primary Issues, Government Bonds (THB, Rank 1), Top Sellside Firm in the Secondary Market, Government Bonds (THB, Rank 1) and Top Sellside Firm in the Secondary Market, Corporate Bonds (THB, Rank 3) from The Asset magazine
- Two awards: Product of the Year: Premium Health Insurance Product for Elite Health Insurance and Product of the Year: Lump sum Health Insurance Product for Delight Health Insurance for the second consecutive year from BUSINESS+ magazine in cooperation with College of Management, Mahidol University
- Best Fund House – Domestic Fixed Income (KAsset) from Morningstar magazine

4. Operating Performance and Financial Position Analysis

4.1 Operating Performance

KBank and its subsidiaries reported net profit for the first quarter of 2022 amounting to Baht 11,211 million, an increase of Baht 1,310 million or 13.23 percent from the preceding quarter. Net interest income increased by Baht 951 million or 3.09 percent due mainly to interest income from loans to customers that rose in line with loan growth. As a result, net interest margin (NIM) increased to 3.19 percent. Meanwhile non-interest income decreased by Baht 2,861 million or 24.40 percent due mainly to the mark to market of financial assets in line with market conditions and decrease in net premiums earned - net. Other operating expenses decreased by Baht 3,088 million or 15.08 percent due to expenses incurred from activities jointly held with our business partners and seasonal marketing expenses in the previous quarter. Cost to income ratio therefore stood at 42.82 percent in this quarter. Moreover, KBank and its subsidiaries set aside expected credit loss close to that of the preceding quarter. Coverage ratio as of March 31, 2022, stood at 158.33 percent. KBank maintained a prudent approach and careful consideration of various surrounding factors in line with uncertain economic circumstances in Thailand, triggered by the COVID-19 outbreak and the global economy.

Operating Performance for the First Quarter of 2022

(Unit: Million Baht)

	Q1-2022	Q4-2021	Change		Q1-2021	Change	
			Increase	Percent		Increase	Percent
			(Decrease)			(Decrease)	
Net Interest Income	31,751	30,800	951	3.09	28,133	3,618	12.86
Non-Interest Income	8,862	11,723	(2,861)	(24.40)	11,894	(3,032)	(25.49)
Total Operating Income - net	40,613	42,523	(1,910)	(4.49)	40,027	586	1.46
Total Other Operating Expenses	17,390	20,478	(3,088)	(15.08)	16,531	859	5.20
Expected Credit Loss	9,336	9,580	(244)	(2.55)	8,650	686	7.93
Net Profit (attributable to equity holders of KBank)	11,211	9,901	1,310	13.23	10,627	584	5.50
Basic Earnings per Share (Baht) ¹⁾	4.58	4.18	0.40	9.57	4.35	0.23	5.29

¹⁾ Basic Earnings per Share = Net profit (attributable to equity holders of the Bank) deduct dividend from other equity instruments after income tax divided by weighted average number of common shares

When compared to the same period of last year, KBank and its subsidiaries reported net profit of Baht 11,211 million, an increase of Baht 584 million or 5.50 percent. The increase could be attributed to net interest income which rose by Baht 3,618 million or 12.86 percent, which was derived from interest income from loans to customers in line with loan growth. The growth came mainly from new lending granted to customers with potential in line with the Bank's business direction, as well as the Bank's relief measures aimed at bolstering liquidity for customers so that they could resume normal business operations. However, there are still some customers under the Bank's relief measures, especially debt moratorium on principal and interest payments, for which the Bank still continuously manages accrued interest. Meanwhile, non-interest income fell Baht 3,032

million or 25.49 percent due mainly to the mark to market of financial assets in line with market conditions. Other operating expenses increased Baht 859 million or 5.20 percent, which came mainly from IT-related expenses in order to meet customers' needs with greater efficiency, as well as marketing expenses. Moreover, KBank and its subsidiaries set aside higher expected credit loss from the same period of 2021 by Baht 686 million or 7.93 percent in line with loan growth amid uncertain economic circumstances.

Major financial ratios that reflected operating performance of KBank and our subsidiaries in the first quarter of 2022 compared to the previous quarter and the same period of last year included:

(Unit: Percent)

Financial Ratio	Q1-2022	Q4-2021	Increase (Decrease)	Q1-2021	Increase (Decrease)
Return on Assets (ROA) ¹⁾	1.09	0.97	0.12	1.14	(0.05)
Return on Equity (ROE) ²⁾	9.30	8.70	0.60	9.57	(0.27)
Net Interest Margin (NIM) ¹⁾	3.19	3.15	0.04	3.16	0.03
Cost to Income Ratio	42.82	48.16	(5.34)	41.30	1.52

¹⁾ Annualized

²⁾ Return on average equity (ROE) = Net profit (attributable to equity holders of the Bank) deduct dividend from other equity instruments after income tax calculated on an annualized basis divided by average equity of equity excluded other equity instruments at the beginning of the quarter / period / year and equity at the end of the quarter / period / year

(Unit: Percent)

Financial Ratio	Mar. 31, 2022	Dec. 31, 2021	Increase (Decrease)	Mar. 31, 2021	Increase (Decrease)
Significant increase in credit risk loans ³⁾ to total loans ⁴⁾	7.22	7.27	(0.05)	7.88	(0.66)
Significant increase in credit risk loans and credit impaired loans ⁵⁾ to total loans ⁴⁾	11.03	11.09	(0.06)	11.89	(0.86)
NPLs gross ⁶⁾ to total loans ⁷⁾	3.78	3.76	0.02	3.93	(0.15)
Total allowance to NPL gross (Coverage ratio) ⁸⁾	158.33	159.08	(0.75)	153.98	4.35
Loans ⁹⁾ to Deposits Ratio	93.31	93.20	0.11	95.91	(2.60)
Capital Adequacy Ratio ¹⁰⁾	18.34	18.77	(0.43)	18.44	(0.10)
Tier 1 Capital Ratio ¹⁰⁾	16.35	16.49	(0.14)	15.80	0.55

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

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

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

⁶⁾ NPL gross used in calculation are loans to customers and loans to financial institutions which are non-performing loans, excluding loans for credit balance and life insurance business

⁷⁾ Loans used in calculation are loans to customers and loans to financial institutions

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

⁹⁾ Loans = Loans to customers

¹⁰⁾ KASIKORNBANK FINANCIAL CONGLOMERATE's Capital Adequacy Ratio (CAR)

□ Net Interest Income

KBank's consolidated net interest income for the first quarter of 2022 was Baht 31,751 million, increasing Baht 951 million, or 3.09 percent over-quarter. The increase was derived mainly from interest income from loans to customers which rose Baht 654 million, or 2.43 percent in line with increase in average loan volume and yield on average loan. Moreover, interest income from interbank and money market items rose Baht 280 million or 53.89 percent due to increase in average transaction volume. Our NIM for the first quarter of 2022 was therefore equal to 3.19 percent, higher than 3.15 percent in the previous quarter.

When compared to the same quarter of the previous year, net interest income increased by Baht 3,618 million or 12.86 percent, which came mainly from an increase of Baht 2,999 million in interest income from loans to customers, or 12.21 percent in line with rising yield on average loan and loan growth. Moreover, interest income from investment rose by Baht 484 million or 8.92 percent due largely to increase in average investment volume. Our NIM for the first quarter of 2022 rose from 3.16 percent during the same period of last year.

(Unit: Million Baht)

	Q1-2022	Q4-2021	Change		Q1-2021	Change	
			Increase (Decrease)	Percent		Increase (Decrease)	Percent
Interest Income	35,925	35,010	915	2.61	31,972	3,953	12.36
Interbank and money market items	799	519	280	53.89	511	288	56.41
Investments	5,904	5,992	(88)	(1.47)	5,420	484	8.92
Loans to customers	27,561	26,907	654	2.43	24,562	2,999	12.21
Hire purchase and finance leases	1,661	1,590	71	4.48	1,477	184	12.41
Others	-	2	(2)	(100.00)	2	(2)	(100.00)
Interest expenses	4,174	4,210	(36)	(0.86)	3,839	335	8.70
Deposits from customers	1,815	1,845	(30)	(1.63)	1,828	(13)	(0.74)
Interbank and money market items	260	262	(2)	(0.79)	177	83	47.13
Contributions to Financial Institutions Development							
Fund and Deposit Protection Agency	1,538	1,511	27	1.81	1,392	146	10.51
Debts issued and borrowings	538	567	(29)	(5.20)	421	117	27.65
Others	23	25	(2)	(7.04)	21	2	7.14
Total Interest Income – net	31,751	30,800	951	3.09	28,133	3,618	12.86
Yield on Earning Assets (percent)	3.61	3.58		0.03	3.59		0.02
Cost of Fund (percent)	0.57	0.59		(0.02)	0.60		(0.03)
Net Interest Margin (NIM) (percent)	3.19	3.15		0.04	3.16		0.03

□ Non-Interest Income

KBank's consolidated non-interest income in the first quarter of 2022 totaled Baht 8,862 million, decreasing Baht 2,861 million, or 24.40 percent over-quarter. The decrease came mainly from gain on financial instruments measured at fair value through profit or loss which fell Baht 2,023 million or 74.66 percent due to mark to market of financial assets in line with market conditions and decrease of Baht 1,312 million or 228.03 percent in net premiums earned – net in line with life insurance business condition.

When compared to the same period of last year, non-interest income decreased by Baht 3,032 million or 25.49 percent due mainly to a decrease of Baht 1,388 million or 278.14 percent in net premiums earned – net in line with life insurance business condition and a decrease of Baht 1,126 million or 62.13 percent in gain on financial instruments measured at fair value through profit or loss from mark to market of financial assets which was in line with market conditions.

Net fees and service income for the first quarter of 2022 totaled Baht 8,832 million, which was close to the level in the preceding quarter but decreased by Baht 599 million or 6.36 percent from the same period of the previous year due largely to a decrease in fees from fund management and fees from underwriting.

(Unit: Million Baht)

	Q1-2022	Q4-2021	Change		Q1-2021	Change	
			Increase (Decrease)	Percent		Increase (Decrease)	Percent
Non-Interest Income							
Fees and Service Income	12,367	12,223	144	1.17	12,615	(248)	(1.97)
Fees and Service Expenses	3,535	3,474	61	1.75	3,184	351	11.02
Fees and Service Income - net	8,832	8,749	83	0.94	9,431	(599)	(6.36)
Gain (Loss) on Financial Instrument Measured at Fair Value through Profit or Loss	686	2,709	(2,023)	(74.66)	1,812	(1,126)	(62.13)
Gain (Loss) on Investments	(17)	85	(102)	(119.39)	116	(133)	(114.23)
Share of Profit (Loss) from Investments using Equity Method	(50)	(315)	265	83.99	(124)	74	59.25
Dividend Income	871	669	202	30.27	810	61	7.58
Net Premiums Earned	15,718	18,156	(2,438)	(13.43)	16,686	(968)	(5.80)
Other Operating Income	427	401	26	6.50	348	79	22.66
<u>Less</u> Underwriting Expenses	17,605	18,731	(1,126)	(6.01)	17,185	420	2.45
Total Non-Interest Income	8,862	11,723	(2,861)	(24.40)	11,894	(3,032)	(25.49)

□ Other Operating Expenses

KBank's consolidated other operating expenses for the first quarter of 2022 were Baht 17,390 million, an over-quarter decrease of Baht 3,088 million, or 15.08 percent due to expenses incurred from activities jointly organized with our business partners and seasonal marketing expenses in the previous quarter, as well as

declining employee expenses. As a result, our cost to income ratio for the first quarter of 2022 stood at 42.82 percent, down from 48.16 percent in the previous quarter.

When compared to the same period of last year, other operating expenses increased by Baht 859 million or 5.20 percent due partly to increase in IT-related expenses to accommodate customers' demand, marketing expenses and employee expenses. Therefore, our cost to income ratio of the first quarter of 2022 was higher than the 41.30 percent in the same quarter of last year.

(Unit: Million Baht)

	Q1-2022	Q4-2021	Change		Q1-2021	Change	
			Increase (Decrease)	Percent		Increase (Decrease)	Percent
Employee Expenses	8,687	9,161	(474)	(5.17)	8,498	189	2.23
Directors' Remuneration	23	23	-	1.72	22	1	5.08
Premises and Equipment Expenses	2,742	2,965	(223)	(7.51)	2,716	26	0.98
Taxes and Duties	1,476	1,383	93	6.65	1,316	160	12.11
Others	4,462	6,946	(2,484)	(35.76)	3,979	483	12.13
Total Other Operating Expenses	17,390	20,478	(3,088)	(15.08)	16,531	859	5.20
Cost to Income Ratio (percent)	42.82	48.16		(5.34)	41.30		1.52

□ 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 March 31, 2022, KBank and its subsidiaries had a total of Baht 2,833,338 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)

	Mar. 31, 2022		Dec. 31, 2021	
	Loans and accrued interest receivables ¹⁾	Allowance for expected credit loss	Loans and accrued interest receivables ¹⁾	Allowance for expected credit loss
Stage 1 Performing	2,163,473	48,883	2,130,347	47,459
Stage 2 Underperforming	204,567	52,256	201,878	51,060
Stage 3 Non-performing	107,901	47,193	106,187	46,253
Total	2,475,941	148,332	2,438,412	144,772

¹⁾ including loans to customers and accrued interest receivables and undue interest receivables

Underperforming loans to total loans were equal to 7.22 percent and underperforming loans to non-performing loans were equal to 11.03 percent, increasing from 7.27 percent and 11.09 percent as of December 31, 2021, respectively.

- **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 the first quarter of 2022, there were loans before modification amounting to Baht 2,072 million and incurred losses amounting to Baht 56 million.

- **Expected Credit Loss**

KBank and its subsidiaries set aside expected credit loss of Baht 9,336 million for the first quarter of 2022, a slight decrease of Baht 244 million or 2.55 percent over-quarter. This figure was close to that of the previous quarter, as we continued to adopt a prudent approach and careful consideration of various factors.

When compared to the same quarter of the previous year, our expected credit loss increased Baht 686 million, or 7.93 percent, which was in line with loan growth and uncertain economic circumstances.

Meanwhile, our expected credit loss to average loans for the first quarter of 2022 stood at 1.53 percent, decreasing from 1.58 percent in the previous quarter but increasing compared to 1.52 percent for the same period of last year. Our expected credit loss to non-performing loan (coverage ratio) as of March 31, 2022, was equal to 158.33 percent.

Expected Credit Loss

(Unit: Million Baht)

	Q1-2022	Q4-2021	Change		Q1-2021	Change	
			Increase	Percent		Increase	Percent
			(Decrease)			(Decrease)	
Expected Credit Loss	9,336	9,580	(244)	(2.55)	8,650	686	7.93
Expected Credit Loss to Average Loans (percent)	1.53	1.58		(0.05)	1.52		0.01

Allowance for Expected Credit Loss

As of March 31, 2022, our consolidated allowance for expected credit loss totaled Baht 148,332 million.

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

Non-Performing Loans

As of March 31, 2022, financial conglomerate's NPLs stood at Baht 106,481 million, or 3.78 percent of the total outstanding credit, including that of financial institutions. KBank's NPLs totaled Baht 103,442 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 Quarter Ending	Mar 31, 2022	Dec 31, 2021
Financial conglomerate NPLs	106,481	104,036
Percent of total outstanding credit, including that of financial institutions	3.78	3.76
KBank NPLs	103,442	101,200
Percent of total outstanding credit, including that of financial institutions	3.81	3.81

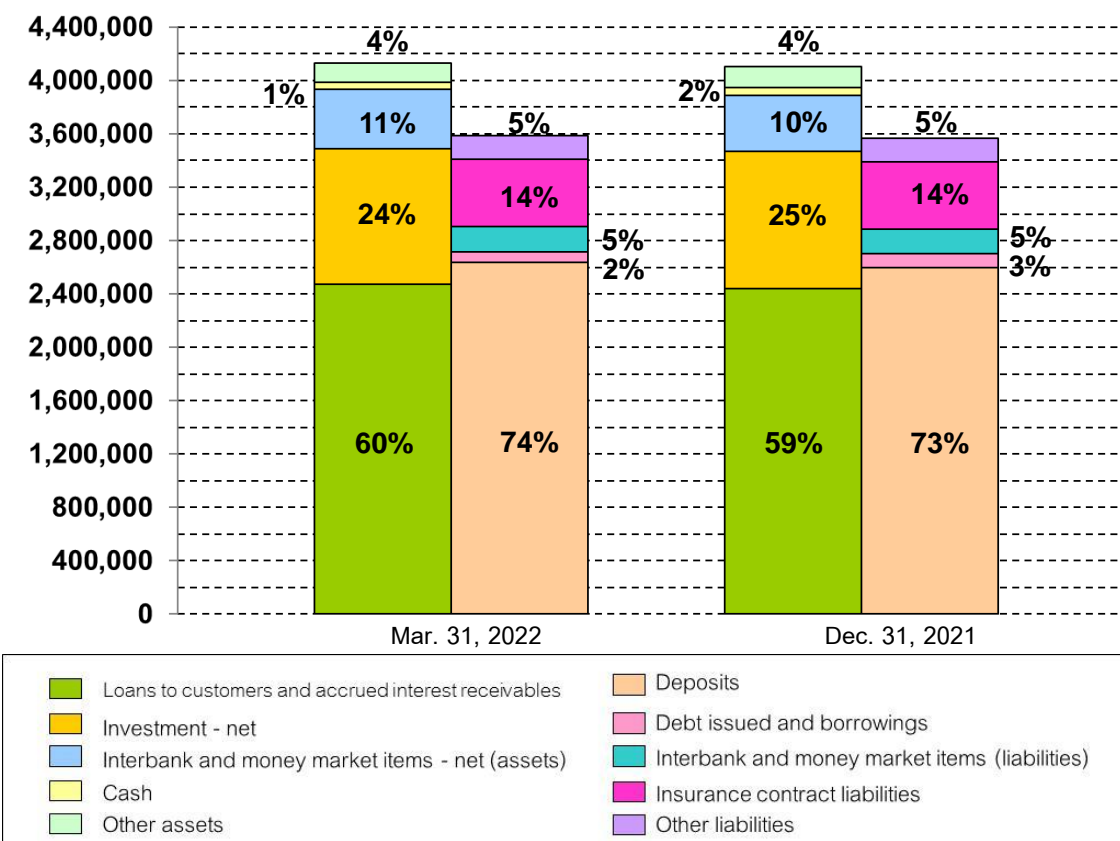
Properties Foreclosed

As of March 31, 2022, our financial conglomerate properties foreclosed had a net value of Baht 42,235 million, thus being 1.02 percent of total assets.

4.2 Financial Position Analysis

Assets and Liabilities Structure

(Unit: Million Baht)

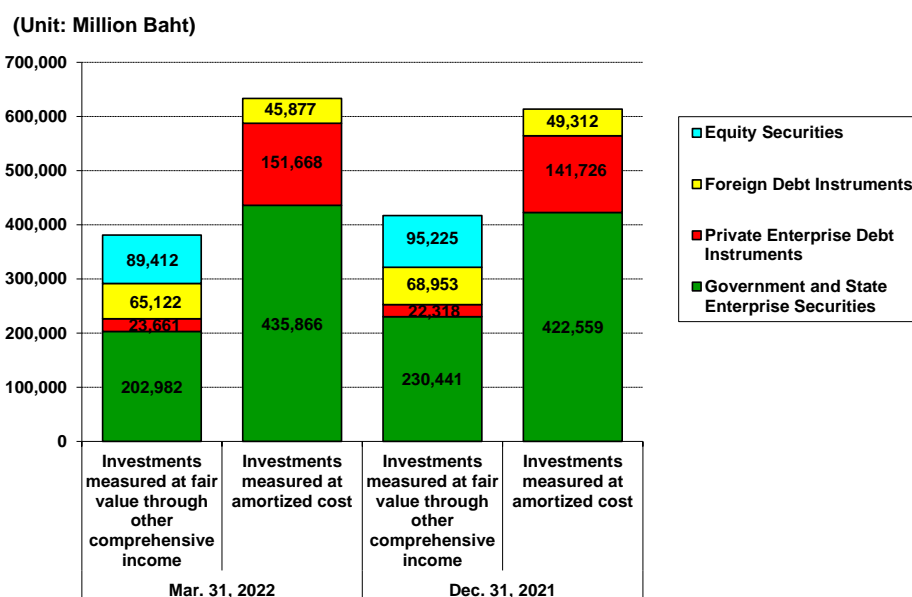


□ Assets

At the end of the first quarter of 2022, KBank's consolidated assets totaled Baht 4,133,248 million, increasing Baht 29,849 million or 0.73 percent from the end of 2021. The rise was due mainly to an increase in loans to customers and net interbank and money market items (assets). Meanwhile, investment - net decreased. Key details are as follows:

- Loans to customers at the end of the first quarter of 2022 totaled Baht 2,458,263 million, increasing Baht 36,450 million, or 1.51 percent from the end of 2021, due mainly to an increase in working capital and commercial loans. Meanwhile, housing loans decreased.
- Net interbank and money market items (assets) at the end of the first quarter of 2022 totaled Baht 445,786 million, increasing by Baht 25,292 million or 6.01 percent from the end of 2021, due mainly to KBank's liquidity management.
- Net investment at the end of the first quarter of 2022 totaled Baht 1,014,588 million, decreasing by Baht 15,946 million or 1.55 percent from the end of 2021, due mainly to sales of Thai government bonds.

Investment in Securities



□ Liabilities and Equity

Our consolidated liabilities at the end of the first quarter of 2022 amounted to Baht 3,585,865 million, which rose Baht 19,141 million or 0.54 percent from the end of 2021. The rise was mainly attributable to increased deposits. Meanwhile, debt issued and borrowings decreased. Significant changes in our consolidated liabilities included:

- Deposits at the end of the first quarter of 2022 equaled Baht 2,634,409 million, increasing Baht 35,779 million or 1.38 percent from the end of 2021, mainly as a result of an increase in savings deposits. Meanwhile, fixed-term deposits decreased.

- Debt issued and borrowings at the end of the first quarter of 2022 equaled Baht 78,102 million, decreasing Baht 25,784 million or 24.82 percent from the end of 2021, mainly as a result of early redemption of short-term debentures and subordinated financial instruments qualified as Tier-2 capital.

Equity (attributable to KBank) at the end of the first quarter of 2022 amounted to Baht 488,192 million, increasing Baht 11,478 million or 2.41 percent from the end of 2021, derived mainly from KBank's net operating profit in the first quarter of 2022 which totaled Baht 11,211 million.

□ Relationship between Sources and Uses of Funds

As of March 31, 2022, the funding structure as shown in the consolidated financial statement comprised Baht 3,585,865 million in liabilities and Baht 547,384 million in equity – of which Baht 488,192 million was equity (attributable to KBank), resulting in a debt-to-equity ratio of 7.35. The main source of funds on the liabilities side was deposits, which equaled Baht 2,634,409 million, or 63.74 percent of the total sources of funds, as of March 31, 2022. Meanwhile, interbank and money market items as well as debt issued and borrowings accounted for 4.72 percent and 1.89 percent of the total source of funds, respectively.

As of March 31, 2022, KBank and subsidiaries' major use of funds was loans which amounted to Baht 2,458,263 million, resulting in loan-to-deposit ratio of 93.31 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.

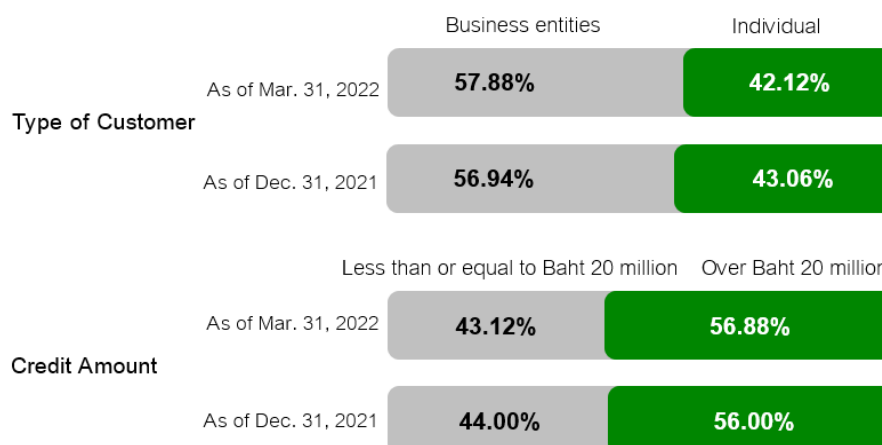
4.3 Loans and Deposits

□ Loans

As of March 31, 2022, financial conglomerate outstanding loans stood at Baht 2,458,263 million, increasing by Baht 36,450 million, or 1.51 percent, compared to Baht 2,421,813 million as of December 31, 2021.

As of March 31, 2022, the majority, or 57.88 percent of KBank's outstanding loans were made to juristic persons or registered businesses. Loan accounts exceeding Baht 20 million accounted for 56.88 percent of the total.

Loan Portfolio by Type of Customer and Credit Amount



Loans Classified by Business

(Unit: Million Baht)

	Mar. 31, 2022		Dec. 31, 2021	
	Corporate Business ¹⁾	Retail Business ²⁾	Corporate Business ¹⁾	Retail Business ²⁾
Loans	1,645,944	701,769	1,609,411	711,243

Notes: ¹⁾ "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.

²⁾ "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.

As of the end of the first quarter of 2022, our corporate business loans (Corporate and SME customers) had increased by Baht 36,533 million or 2.27 percent from the end of 2021. The increase came mainly from loans offered to corporate customers in retail, petroleum and petrochemicals, and chemical industry, and most of the loans were working capital. Loans granted to SME clients also enjoyed growth, derived mainly from small business customers and freelancers, which was in line with KBank's business plan. KBank offered multiple products in order to completely meet their needs under our risk-adjusted pricing strategy while also adding a digital channel for loan application to ensure greater customer convenience in their access to loans. KBank also used transaction data for assessment of customers' debt servicing ability, as part of our credit underwriting. This method allowed customers with potential but having financial restrictions, especially online/offline merchants, restaurants, small-sized construction firms and farm product sellers, to gain improved access to funding sources.

Our retail loans at the end of the first quarter of 2022 decreased by Baht 9,474 million or 1.33 percent compared to the end of 2021. The decrease came mainly from credit card loans due to seasonality amid active

loan repayment after the purchase of tax-saving mutual funds towards the end of 2021. Moreover, home loan also posted decelerating growth due to a decrease in new loans amid intense market competition. Meanwhile, personal loan saw continual growth thanks to the introduction of a self-application channel via K PLUS and the use of data analytics for analyzing customer status across all dimensions. These efforts allowed KBank to appropriately offer loan to customers, thus reaching out to a large number of customers.

□ Deposits

Deposits Classified by Type of Deposit Account

(Unit: Million Baht)

	Percent of Total Deposits	Deposits		Change	
		Mar. 31, 2022	Dec. 31, 2021	Increase (Decrease)	Percent
Total Deposits	100.00	2,634,409	2,598,630	35,779	1.38
Current accounts	5.55	146,262	161,303	(15,041)	(9.32)
Savings accounts	76.83	2,024,079	1,960,581	63,498	3.24
Fixed-term deposit accounts	17.62	464,068	476,746	(12,678)	(2.66)

Overall, competition in the deposit market in the first quarter of 2022 remained limited. Commercial banks' liquidity was sufficient to accommodate loan growth. Meanwhile, the policy rate stayed low at 0.50 percent per annum. KBank adhered to a policy of maintaining liquidity at an appropriate level, efficiently managing deposit cost to remain competitive in the market and ensuring a balanced distribution of deposits in each customer segment in alignment with the strategies of a Bank of Sustainability and Customer Centricity.

In this quarter, KBank continually focused on digital deposit service. To this end, we promoted awareness of K-eSavings via social media, which is familiar to the new-generation customers who mainly conduct financial transactions via digital channels – especially money and game top-up via e-wallet – that incur fees. Therefore, we communicated to this customer group the convenience of account opening via KBank's digital channels while encouraging them to make funds transfer, top up and payment via K PLUS with no fee. Meanwhile, we offered customers seeking to simplify their account management Cloud Pocket on the MAKE by KBank application on a trial basis. Aside from efficient account management, customers are entitled to many more privileges such as access to horoscope service at the 'a Duang' application free of charge when they make inward-outward funds transfer via Cloud Pocket.

Moreover, KBank teamed with KASIKORN ASSET MANAGEMENT COMPANY LIMITED in developing products suited to market conditions and customers amid accelerating inflation and soaring oil prices globally. These factors affected short-term investment in the market, which has experienced periods of volatility. Therefore, KBank launched products to allow investors to park their money in low-risk assets while waiting until the present situation becomes clearer before deciding on long-term investment. Notable funds launched include

K SF Plus Fund (K-SFPLUS) and K Corporate Bond Fund-A (K-CBOND-A). We also introduced mutual funds that invest in ESG businesses that will achieve long-term sustainable growth. They include K Positive Change Equity Fund-A(A) (K-CHANGE-A(A)) and K Climate Transition Fund (K-CLIMATE).

4.4 Treasury Operations

During the first quarter of 2022, average overnight interbank lending rates stood at 0.46 percent per annum, close to the average rate of 0.45 percent per annum in the previous quarter, in line with the resolutions from the Monetary Policy Committee (MPC) meetings held on February 9 and March 30, 2022, wherein the key policy rate was kept unchanged at 0.50 percent per annum.

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 has been established in line with the changes in economic conditions, as well as the movements of money and capital markets both at home and abroad. In this quarter, the Thai economy had to contend with volatility triggered by various factors, especially the COVID-19 outbreak and soaring oil prices. This prompted inflation to accelerate amid a fragile economic recovery. Regarding our treasury operations, KBank focused on selling short-term Thai government bonds when their yields were lower than the expected policy rate while investing in their long-term counterparts once their yields were higher than expected.

Treasury Operations Income

(Unit: Million Baht)

Income Structure of Treasury Operations (Banking Book)	Percent of Total Income	Q1/2022	Q4/2021	Change	
				Increase (Decrease)	Percent
Interest Income¹⁾					
Interbank and money market items ²⁾	24.46	450	428	22	5.14
Investments	75.54	1,390	1,436	(46)	(3.20)
Total	100.00	1,840	1,864	(24)	(1.29)

Note: ¹⁾ Managerial figures

²⁾ Including loans

Total interest income in the first quarter of 2022 stood at Baht 1,840 million, decreasing Baht 24 million or 1.29 percent from the previous quarter, attributed mainly to the reduced number of days compared to the previous quarter.

4.5 Capital Requirements¹⁾

As of the end of the first quarter of 2022, KASIKORNBANK FINANCIAL CONGLOMERATE, under the Basel III capital requirements, had capital funds of Baht 483,701 million, consisting of Baht 403,841 million in Common Equity Tier-1 capital, Baht 431,158 million in Tier-1 capital and Baht 52,543 million in Tier-2 capital. The capital adequacy ratio was 18.34 percent, which was above the BOT's minimum requirement and buffer requirement of 12.00 percent. Details of the capital adequacy ratio are shown in the following table:

Capital Adequacy Ratio¹⁾

- KASIKORN FINANCIAL CONGLOMERATE²⁾

(Unit: Percent)

Capital Adequacy Ratio	Basel III					
	Minimum Requirements including Buffer Requirement ³⁾	Mar. 31, 2022	Dec. 31, 2021	Sep. 30, 2021	Jun. 30, 2021	Mar. 31, 2021
Tier-1 Capital Ratio	9.50	16.35	16.49	16.53	15.86	15.80
<i>Common Equity Tier-1 Ratio</i>	8.00	15.31	15.46	15.49	15.25	15.17
Tier-2 Capital Ratio	-	1.99	2.28	2.29	2.33	2.64
Capital Adequacy Ratio	12.00	18.34	18.77	18.82	18.19	18.44

- The Bank

(Unit: Percent)

Capital Adequacy Ratio	Basel III					
	Minimum Requirements including Buffer Requirement ³⁾	Mar. 31, 2022	Dec. 31, 2021	Sep. 30, 2021	Jun. 30, 2021	Mar. 31, 2021
Tier-1 Capital Ratio	9.50	15.33	15.42	15.37	14.68	14.65
<i>Common Equity Tier-1 Ratio</i>	8.00	14.24	14.32	14.28	14.03	13.99
Tier-2 Capital Ratio	-	2.11	2.41	2.42	2.45	2.77
Capital Adequacy Ratio	12.00	17.44	17.83	17.79	17.13	17.42

Note: ¹⁾ 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.

²⁾ 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 a financial conglomerate.

³⁾ Bank of Thailand required the Bank to maintain 2 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): BOT required KBank, as a D-SIB, to maintain an additional Common Equity Tier 1 at 1.00 percent.

4.6 Credit Ratings

In the first quarter of 2022, the Bank's credit ratings given by Moody's Investors Service, and Fitch Ratings remained unchanged from the end of 2021. However, Standard & Poor's downgraded the long-term ratings of four Thai banks, including KBank, due to increased systemic risks of banks operating in Thailand. Standard & Poor's downgraded KBank's long-term credit ratings from BBB+ to BBB with stable outlook.

Details are shown in the following table.

KASIKORNBANK's Credit Ratings		
Credit Ratings Agency	Mar. 31, 2022	Dec. 31, 2021
Moody's Investors Service ¹⁾		
<u>Foreign Currency</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>Domestic Currency</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
Standard & Poor's ¹⁾		
<u>Global Scale Ratings</u>		
Outlook	Stable	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+

Fitch Ratings ¹⁾International Credit Ratings (Foreign Currency)

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+
Support	2	2
Support Rating Floor	BBB-	BBB-

National Credit Ratings

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: ¹⁾ 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.

5. Operations of Support Groups

5.1 Human Resource Management

KBank has focused on human resource management to be in step with the ever-changing business environment and in alignment with K-Strategy amid the challenges of the competitive labor market, in order to recruit capable personnel as we aspire to be the Best Place to Work, Learn and Lead and a leading customer empowerment organization via innovation. To this end, we have implemented strategic operational guidelines as follows:

1. **Advancing strategies with efficient collaboration:** Focus has been on an agile way of work within the same division and across major divisions in seven strategic pillars, i.e., (1) credit, (2) wealth, (3) payment, (4) regional leadership within the AEC+3 region, (5) business expansion via new channels, (6) beyond banking and ESG, and (7) new business development via technological innovation. This allows us to allocate competent personnel with enhanced efficiency and flexibility in order to deliver customer-driven solutions.
2. **Improving work processes for enhanced efficiency and decision-making empowerment:** Unnecessary bottlenecks in processes are eliminated to shorten operating time, while employees are empowered to make decisions and experiment in streamlining work processes, allowing greater flexibility.
3. **Creating differentiation and integration of employee value proposition:** KBank aims to attract new talent to join our workforce. We focus on employee skill development in three aspects, i.e., honing their skills to enable KBank's growth strategy, reskilling to improve service and productivity, and fostering their future skills. Along with this, we prioritize a healthy workplace under a hybrid work format to achieve work-life harmony.
4. **Promoting leadership in excellent service via a culture of innovation:** We are determined to deliver service excellence and encourage the growth of an organizational culture conducive to change and innovation.

Regarding employee relations and benefits during the COVID-19 pandemic, KBank provided assistance and moral support to all employees, both our operational and back office staff. To this end, we have arranged for our employees in need of mental support to consult with psychiatrists or psychologists, while also providing medical treatment in case of illness. In addition, KBank has arranged for provision of an alternative vaccine as a booster dose against COVID-19 to bolster our employees' immunity. Meanwhile, we organized meetings of the KASIKORNBANK Labour Union, KASIKORNBANK Officer Labour Union and KBank executives. We also held a group meeting of the Employee Committee/employee representatives via online channel 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

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 highest 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.

In the first quarter of 2022, KBTG developed products and services to be consistent with ever-evolving consumer behavior and technological innovation. Major initiatives can be summarized as follows:

- **Developed and improved K PLUS application:** To enhance service efficiency and deliver a positive customer experience, interbank funds transfer limit has been increased to Baht 2,000,000 per transaction, while the Digital Bank Statement (dStatement) feature was added, allowing customers to request KBank account statement via K PLUS for up to 180 days. Moreover, international funds transfer service has been expanded as users can now send money to the People's Republic of China via K PLUS. To accommodate expected rising transactions, microservice architecture design has been applied with K PLUS.
- **Set up Endless Capital Fund:** Established by KASIKORN X Co., Ltd., Endless Capital Fund aims to invest in Web 3.0 Ecosystem technology, blockchain and startup companies engaged in the metaverse.
- **Conducted research on technology and innovation:** KBTG became a Consortium Research Lab Member at MIT Media Lab to jointly conduct research on innovative technologies, namely metaverse, blockchain, and decentralized finance (DeFi), as well as in other areas such as sustainability and education.
- **Developed PAIPA website:** Designed as a lifestyle platform, PAIPA compiles information on various interesting activities such as diving, surfing, paragliding and boxing, while also selling tickets online.
- **Developed and improved K PLUS Vietnam application:** In order to develop and expand services to other countries within the region, numerous features were added to K PLUS Vietnam, such as account opening, balance inquiry, 'round-the-clock transaction and funds transfer, bill payment as well as request for account statements for the past 12 months via the application without the need to visit a bank branch, under secure system standards, such as notifications, e-slips and transaction confirmation with an OTP system.

Disclaimer

Certain statements shown in this document are forward-looking statements in respect of financial position or performance of KASIKORNBANK Public Company Limited (“KBank”). KBank has prepared such statements based on several assumptions, and has relied on the financial and other information made available from public sources as of the date these statements were made. Statements with words such as “expect”, “believe”, “estimate”, etc., are types of forward-looking statements involving uncertainties and subject to change at any time due to future events, including but not limited to, changes in the global/national economic, political and regulatory environment. KBank is under no obligation to update these forward-looking statements to correspond to the current situation. Thus, recipients shall carefully review these statements and make an independent decision prior to investing or entering into any transaction.

A large, solid green abstract shape that resembles a stylized leaf or a curved arrow pointing downwards and to the right. It starts with a sharp point at the top left and curves smoothly towards the bottom right, ending in a vertical edge.

www.kasikornbank.com

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