



Management Discussion and Analysis (MD&A)

For the Year Ending December 31, 2022

ธนาคารกสิกรไทย
开泰银行 KASIKORNBANK



บริการทุกระดับประทับใจ

Executive Summary of Management Discussion and Analysis For the Year Ending December 31, 2022

Overall, the Thai economy in 2022 grew 2.6 percent, having shown gradual improvement from the 2021 growth of 1.5 percent. The Thai economic recovery remained fragile and uneven across different sectors amid signs of a global economic slowdown triggered in part by tightening monetary policy to tame inflation. As a result, Thailand's major trading partners are increasingly at risk of lapsing into recession in 2023 even though many countries including China are relaxing their COVID-19 control measures as economic activity and society at large return to a pre-pandemic state. Risks and uncertainties persisted amid stubbornly high labor and production costs, protracted geopolitical conflicts, climate-related hazards, and regulatory changes. All of these adversely affected business operations, further depressing household income. This had repercussions for our customers' financial standing, which inevitably affected KBank's operating performance.

KBank continued to conduct business with prudence in these uncertain economic conditions. We adopted a proactive approach in taking care of our customers affected by the uneven economic recovery who had yet to see a turnaround, while also giving them assistance and support to ensure their continual growth in order to benefit from upcoming business opportunities. Guided by the Challenger Bank concept, we prioritized service innovation through financial technology development and synergy with our business partners in order to broaden the customer base while promoting financial inclusion among clients both domestically and within other countries in the AEC+3 region. These endeavors were undertaken in alignment with KBank's sustainability strategy, accounting for balance in three dimensions, i.e., environmental, social and governance, along with proactive integrated risk management, as well as a risk-aware culture Bank-wide, to secure our status as a leading financial institution that is always prepared for potential economic volatility, under both normal and stressed situations.

KBank and its subsidiaries reported net profit for the year 2022 amounting to Baht 35,770 million, a decrease of Baht 2,283 million or 6.00 percent from the previous year. The decrease could be attributed to KBank and its subsidiaries setting aside expected credit loss amounting to Baht 51,919 million, an increase of Baht 11,587 million or 28.73 percent from the previous year. The significant increase in our expected credit loss was consistent with KBank's prudent stance to ensure that it was sufficient to cope with risks stemming from the potential global economic slowdown and Thailand's uneven economic recovery. Moreover, the effort aims to strengthen and improve flexibility in our asset quality management to ensure our readiness in providing support and assistance to various groups of customers in alignment with KBank's strategic directions. As of December 31, 2022, our coverage ratio stood at 154.26 percent.

Our operating profit before expected credit loss and income tax expense stood at Baht 98,504 million, an increase of Baht 6,199 million or 6.72 percent compared to the previous year. The increase came

mainly from net interest income, which rose by Baht 13,608 million or 11.40 percent in line with growth of new loans granted to retail and SME customers with focus more on offering of loan products via digital channels along with the use of data analytics for lending, which is in line with the Bank's strategic direction, as well as the rising interest rates at home. Our net interest margin (NIM) therefore increased to 3.33 percent. However, non-interest income dropped by Baht 3,700 million or 8.42 percent due mainly to decreases in fees from fund management and brokerage fees as well as net premiums earned – net in line with market conditions.

Other operating expenses increased by Baht 3,709 million or 5.22 percent. The increase could be attributed mainly to an increase in marketing expenses under cooperation with our business partners, which were consistent with rising revenue in line with business volume, and an increase in IT-related expenses to accommodate customer demand. Given our efficient cost management, cost to income ratio decreased to 43.15 percent.

With regard to our capital position at the end of 2022, capital adequacy ratio (CAR) of KASIKORNBANK FINANCIAL CONGLOMERATE according to the Basel III Accord was 18.81 percent, with a Tier 1 capital ratio of 16.84 percent and Common Equity Tier 1 Ratio of 15.86 percent, both of which were greater than the Bank of Thailand's requirement, reflecting our robust capital position which is adequate for continuously operating business under both normal and stressed situations. Through its efficient capital management, KBank can conduct business with optimal capital structure and effective capital management.

The operating performance of the subsidiaries of KBank was also satisfactory in terms of quantity and quality due to the concerted efforts of all units involved. KASIKORN ASSET MANAGEMENT CO., LTD. remained at the top of the mutual fund business. Meanwhile, KASIKORN SECURITIES PCL focused on development of tools to assist customers in their portfolio monitoring and management anywhere, anytime. KASIKORN LEASING CO., LTD. could extend new loans, with growth achieving the target amid a highly competitive market, while also keeping its healthy asset quality intact. At the same time, KASIKORN FACTORY & EQUIPMENT CO., LTD. emphasized expansion of equipment leasing for new industries and clean energy industry in line with the Bank's strategic directions. In addition, Muang Thai Life Assurance PCL prioritized collaboration with KBank in developing life and health insurance products. In terms of market share, the company's total premiums in bancassurance business ranked second in the life insurance industry.

The 2022 operating performance of KBank and K Companies thus met our business targets as expected in line with the economic conditions. All the abovementioned endeavors and performance of KBank and K Companies have thus far been undertaken with prudence and in step with the ever-changing environment, together with awareness of the economic uncertainty that persists. Along with this, we have plans in place to cope with any potential impacts upon our business while also giving our customers support in an efficient and timely manner. Our operations have gained wide acceptance and recognition at home and abroad, as reflected in the numerous awards we received.

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1. Overview of Operating Environment

1.1 Global and Thai Economy in 2022 and Outlook for 2023

The global economy saw a slowdown in the second half of 2022. This was due to gradual policy rate increases of several central banks to tame inflation which had overshot its target in each country. The rate hikes were led by the US Federal Reserve, the European Central Bank, the Bank of England and other central banks in Asian countries. The tightening monetary policy is expected to continue into early 2023, and could ultimately trigger a global economic recession. Under these circumstances, the International Monetary Fund (IMF) has assumed a cautious view towards the global economic outlook. The IMF forecasts that the global economy in 2023 will continue to slow compared to 2022. Meanwhile, China's reopening and its implementation of economic stimulus measures should ease pressure on its economic outlook to some extent. However, attention must be paid to other risk factors.

Overall, the Thai economy for 2022 saw improvement compared to 2021. The growth was driven by domestic economic activity that gradually recovered as COVID-19 waned. The relaxation of travel restrictions was a boon to the recovery of the tourism sector and related businesses during the second half of the year. This alleviated pressure on the economy from the export contraction in the last quarter of 2022.

The Thai economy in 2023 will likely maintain a continual recovery from 2022, thanks to the tourism revival. However, the fragile economies of Thailand's key trading partners, and the risk of global economic recession, remain factors that could affect Thai exports and prevent tourism from returning to pre-pandemic levels, despite the prospective increase in foreign arrivals due to China's easing of travel restrictions. Meanwhile, businesses and industries are likely to experience an uneven or 'K-shaped' recovery. Attention must be paid to domestic spending that remains under pressure from persistently high production costs, wages, inflation rates and costs of living, and an upward trend in domestic interest rates as signaled by the Monetary Policy Committee, reaching normalized levels that are suited to the present state of inflation and the Thai economy.

1.2 Banking Industry

The overall performance of domestically registered commercial banks in 2022 recorded higher net profit compared to 2021. The improvement came mainly from a decrease in expected credit loss and an increase in net interest income, bolstered by loan growth and rising interest rates of commercial banks in line with the Thai policy rate. Net interest margin (NIM) gradually rose, especially during the second half of 2022, in line with ongoing growth of high-yield retail loan products. Meanwhile, non-interest income decreased, from both net fees and service income and other incomes. Regarding asset quality, non-performing loans to total loans (NPL ratio) declined due to proactive NPL management and acceleration of customers' debt restructuring. However, several commercial banks continued to adopt a prudent approach in setting aside

expected credit loss, as they must closely monitor vulnerable borrowers amid an uncertain economic environment.

As of December 31, 2022, outstanding loans to customers and accrued interest receivables - net at 17 domestically registered commercial banks totaled Baht 13.876 trillion, rising by 2.70 percent from the end of 2021. Meanwhile, outstanding deposits totaled Baht 15.861 trillion, an increase of 4.19 percent compared to the end of 2021. KBank ranked second in loans to customers and accrued interest receivables - net in the commercial banking system, with a market share of 15.55 percent, while it ranked first in deposits, with a market share of 16.22 percent, and ranked second in assets, with a market share of 15.01 percent.

Looking ahead into 2023, the Thai economy is set to gain traction through a recovery that may vary across different business sectors. In the meantime, impacts from global economic risks merit close watch. Therefore, commercial banks are expected to operate their business with prudence amid numerous challenges, including vulnerable borrowers and asset quality management in particular. Regarding their strategy, they must also be prepared to broaden their revenue stream from new businesses amid a highly competitive environment, new regulatory requirements and the changing financial landscape.

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

(Unit: Million Baht)

Bank	Assets	Market Share (%)	Deposits	Market Share (%)	Net Loans	Market Share (%)
Bangkok Bank	3,840,076	16.28	2,716,152	16.20	2,096,756	14.37
KASIKORNBANK	3,541,413	15.01	2,719,710	16.22	2,269,749	15.55
Krung Thai Bank	3,502,329	14.84	2,594,725	15.47	2,361,277	16.18
Siam Commercial Bank	3,360,645	14.24	2,573,654	15.35	2,185,054	14.97
Bank of Ayudhya	2,450,911	10.39	1,782,186	10.63	1,680,008	11.51
TMB Thanachart Bank	1,818,511	7.71	1,400,078	8.35	1,323,737	9.07
United Overseas Bank	823,860	3.49	644,008	3.84	558,158	3.82
CIMB Thai	491,729	2.08	237,434	1.42	226,408	1.55
Kiatnakin Phatra Bank	487,246	2.07	331,909	1.98	366,616	2.51
Land and Houses Bank	295,846	1.25	231,432	1.38	210,256	1.44
TISCO Bank	250,912	1.06	189,834	1.13	203,982	1.40
ICBC (Thai)	240,642	1.02	162,990	0.97	106,111	0.73
Standard Chartered Bank (Thai)	165,696	0.70	73,657	0.44	30,065	0.21
Thai Credit Retail Bank	143,428	0.61	113,622	0.68	117,457	0.80
Sumitomo Mitsui Trust Bank (Thai)	108,255	0.46	27,977	0.17	71,909	0.49
Bank of China (Thai)	61,757	0.26	43,060	0.26	41,303	0.28
Mega International	31,988	0.14	18,792	0.11	27,550	0.19
Domestically-registered commercial banks	21,635,487	91.70	15,861,221	94.58	13,876,397	95.07
Foreign bank branches	1,958,387	8.30	908,454	5.42	719,277	4.93
All commercial banks	23,593,874	100.00	16,769,676	100.00	14,595,674	100.00

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

1.3 Significant Regulations and Rules related to Business Operations¹

Significant regulations and rules that may have affected KASIKORNBANK FINANCIAL CONGLOMERATE's business operations included:

- **Rules on Permission and Supervision of Derivative Transactions of Commercial Banks**

The Bank of Thailand issued notification BOT. No. SorNorSor. 7/2565 (2022) Re: Rules on Permission and Supervision of Derivative Transactions of Commercial Banks dated October 6, 2022, effective October 22, 2022. The Notification, which revised rules on derivative transactions for greater flexibility, contains the following key points:

1. Revising scope of permitted derivative transactions: Commercial banks are allowed to engage in general derivative transactions under the principle-based regulation as determined by the Bank of Thailand regarding fair value assessment, risk management and accurate and proper capital calculation. Previously, rule-based regulation was applied.
2. Terminating restrictions on the offering of derivative transactions: Minimum investment amount of structured products and certain qualifications of financial indices used as underlying variables for derivative transactions were terminated. Meanwhile, commercial banks are allowed to offer funded credit derivatives for investment with the condition that principal protection must be granted to retail customers.
3. Revising supervision rules for greater flexibility: The Board of Directors of a commercial bank may authorize a sub-committee to approve policies and procedures of derivative-related product programs, including canceling the limitations of product program models.
4. Revising rules for customer management, which must take into account their knowledge, understanding and risk tolerance. Customer definition has also been revised, while client suitability assessment has been reviewed to be in conformity with the rules of the Office of the Securities and Exchange Commission.
5. Establishing the maintenance of capital to cushion against residual risk (market risk) at not less than 0.1 percent of the effective notional amount of derivative transaction.

KBank has revised relevant operations to accommodate the relaxed rules on derivative transactions of the Bank of Thailand and is ready to offer related services to customers.

¹ Additional details on Significant Regulations and Rules related to Business Operations for 2022 can be obtained from Management Discussion and Analysis for the first, second and third quarter of 2022.

- **Act on Electronic Performance of Administrative Functions, B.E. 2565 (2022)**

This Act serves as the central law governing electronic performance of administrative functions, which was published in the Government Gazette on October 11, 2022, and will come into effect January 10, 2023. The legislation aims mainly to promote the use of electronic means for request for permission, services or welfare benefits to the general public or any other organizations, to facilitate their use of government sector services with greater speed and efficiency at reduced cost.

This law is in line with the National Reform Plan on Public Administration in the transition to the digital era. It will help bolster the country's competitiveness while allowing swiftness and enhanced efficiency in contacts and use of services wherein KBank has involvement with public agencies.

- **Notification of the Committee on Contracts Re: Prescribing Consumer Loan Business as Contract-Controlled Business B.E. 2565 (2022)**

The Committee on Contracts, the Office of the Consumer Protection Board, issued the Notification to Prescribe Consumer Loan Business as Contract-Controlled Business B.E. 2565 (2022), which was published in the Government Gazette on December 13, 2022, and will come into effect March 13, 2023. The Notification contains the salient points as follows:

- Consumer loan contract (excluding juristic person) wherein loan is used for personal purposes, not for operating business to earn income, is required to contain major provisions and conditions as prescribed in this law and to clearly specify prohibited characteristics.
- Provisions of consumer loan contract under this law can be categorized into two types based on the characteristics of loan business operators, i.e., natural person and juristic person or financial institution (excluding three types of juristic persons, namely cooperatives, Special Purpose Vehicles (SPVs) and asset management companies under the Emergency Decree on Asset Management Company).
- Consumer loan contract under this law shall neither require that borrowers apply for non-life or life insurance, except for the case of housing loan or secured loan; nor shall it contain provisions on prepayment fee charged to borrowers who make total or partial debt payment before the maturity of the loan contract. This shall not be applied to home loan with special low interest rates granted to borrowers seeking to refinance within three years of the loan contract date.

KBank, as a loan business operator categorized as a juristic person or financial institution, is required to apply loan contracts containing additional major points and conditions as follows:

1. Details of interest rates and fees as prescribed by law, together with a memo on calculation thereof, attached to the loan contract
2. Details of fees or any expenses incurred from debt collection
3. Conditions wherein the lender is entitled to change (increase or decrease) the interest rate with the provision that written notice must be given to the borrower at least 30 days in advance. In

urgent cases, notice can be given via electronic media not less than seven days in advance, except where the borrower wishes to receive a notice via email.

4. Content for conditions on default on debt payment can be made in bold fonts and added in the contract wherein the lender is entitled to terminate the loan contract. Moreover, the borrower is allowed to reverse their breach of contract or failure to comply with the conditions earlier set forth within 30 days from the day following that on which the borrower receives the loan contract termination notice.
5. The lender and assignee of rights are required to give prior notice of the conditions for disposal of or transfer of rights to claim under the loan contract not less than a period of one installment of loan repayment (principal or interest) or interest rate calculation; or consent must be given by the borrower and guarantor (if any) to do so.
6. If the borrower wishes to make one-time debt settlement without making installment payment per the conditions set forth in the loan contract, the lender shall not charge lending rate on the amount which has not yet come due under the loan contract and shall return collateral to the borrower or the guarantor, as the case may be, within seven days of the date on which the debt is fully settled. A schedule on debt exposure per the loan contract for each borrower must be prepared and attached to the loan contract.
7. The lender shall retain the borrower's personal data. If the data is to be disclosed to a third party, written consent must be given by the borrower, and the borrower may revoke their consent at any time, in accordance with the conditions of the Personal Data Protection Act.
8. For a loan contract with guarantor, the lender must ensure that a warning message as shown in the appendix to this law shall be included in the guarantee contract.

KBank has arranged for communications and preparations to comply with this law including revision of format of consumer loan contract and relevant procedures in alignment with the required terms and conditions.

2. Risk Management and Risk Factors²

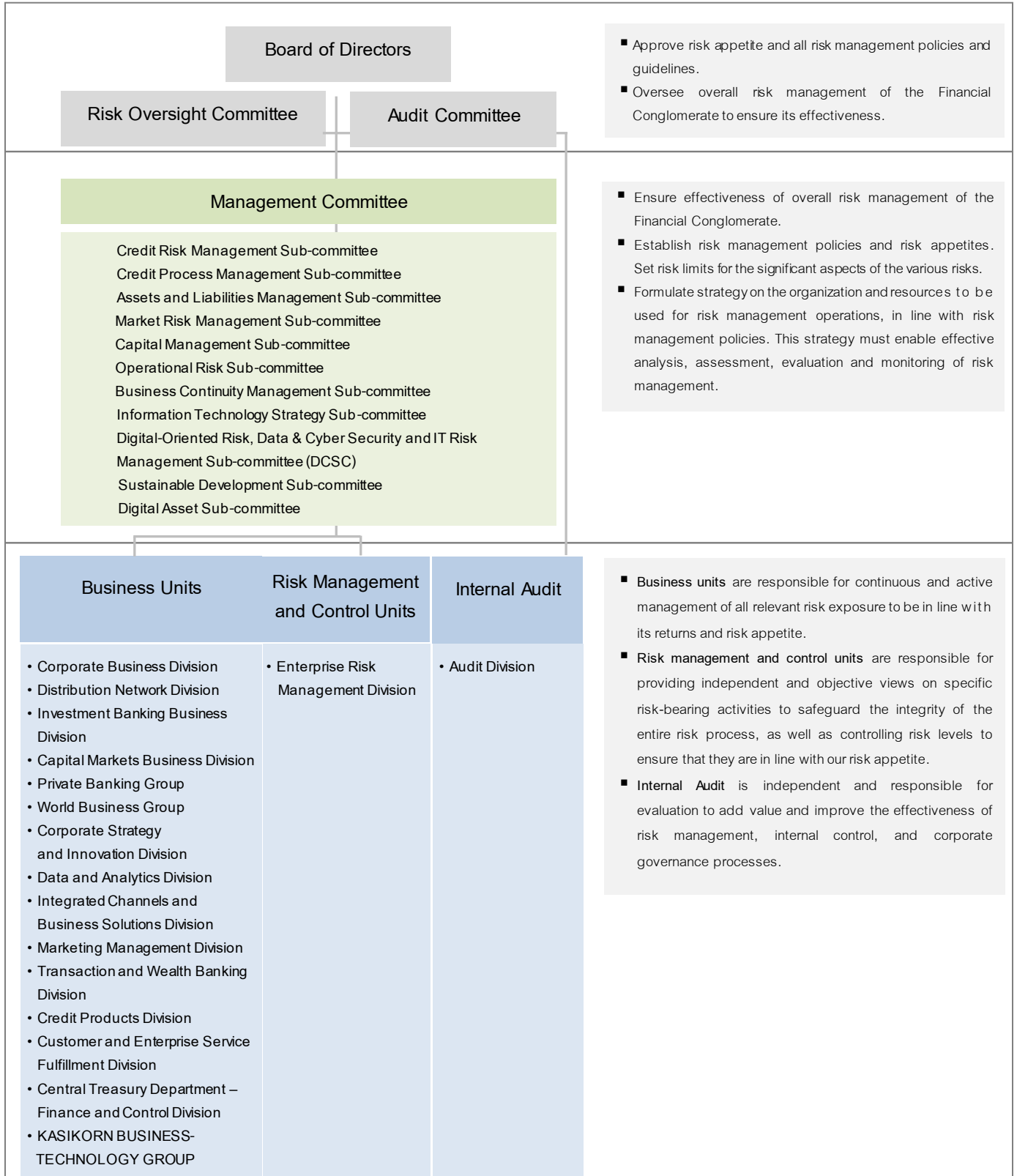
2.1 Overall Risk Management

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

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

² Details of risk management and other related information, in accordance with the Bank of Thailand Pillar 3 requirement and disclosure principles, are shown in "the Basel III Pillar 3 Disclosure" section on KBank's website. Moreover, details on Responsible Lending and Investment in accordance with Environmental, Social and Governance (ESG) criteria can be found in Sustainability Report 2022.

Risk Management Structure



□ Key Developments to Strengthen Risk Management

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

- **Developed management guidelines and processes for managing environmental, social and governance (ESG) risk as well as climate-related risk in line with responsible lending principles:** Impacts of KBank's credit support have been assessed across all dimensions while climate-related risks, opportunities and impacts have been analyzed and assessed under various assumptions. The results have been used in the formulation of strategic plans, ESG credit policy and portfolio management plans. Focus has been on minimizing negative impacts while maximizing positive effects on the environment, society and economy in conformity with KBank's goals so that the targets can be achieved.
- **Enhanced impairment provisioning process:** Credit risk models, provisions, and economic factor determination have been enhanced. Along with this, we have initiated a dynamic provisioning plan to cope with potential impacts of asset quality deterioration due to economic uncertainty from geopolitical conflicts and the potentially fragile state of our customers' business operations.
- **Improved stress testing processes and models** to ensure that our business growth is within the risk appetite with enhanced efficiency in risk and capital management as well as assessment of capital adequacy and liquidity position. KBank focuses on improvement of forward-looking and preventive portfolio management in the midst of a highly volatile economic environment, in conformity with the Bank of Thailand's regulations and directions. In addition, we have conducted assessment of customer segments affected by various risk situations based on customer survey results as well as vintage analysis to determine asset quality, allowing enhanced efficiency in analysis, monitoring and management of customer risk profiles in each product group.
- **Active Credit Portfolio Management (ACPM) appropriate for each customer segment to manage impacts from geopolitical conflicts and emerging infectious diseases:** We have employed customer transaction data for risk analysis and assessment. Customers have been classified by impacts and their debt servicing ability, which has allowed us to provide them appropriate relief measures. This includes restructuring for business customers and debt relief measures for retail customers to ease the impacts of emerging infectious diseases, ensuring that KBank can maintain sustainable growth within risk appetite under normal and stress scenarios.
- **Active Credit Portfolio Management (ACPM) via analysis of economic value (EV) of new loan:** We have assessed risk-adjusted performance of credit portfolio while analysis has been conducted to

measure new customers' asset quality. This will serve as a dynamic strategic planning mechanism to ensure the Bank's appropriate risk-adjusted return within a given risk appetite level.

- **Established the Digital Asset Sub-committee** to oversee and manage risk related to digital asset business and transactions by the Financial Conglomerate to ensure that they are consistent with business strategy and complies with relevant laws and regulations.
- **Established Digital Asset Business and Transaction Policy** to oversee digital asset-related operations by the Financial Conglomerate to ensure efficiency and effectiveness, and comply with relevant regulatory requirements . The policy requires appropriate risk management, including the separation of digital asset-related system from the core banking system to prevent intragroup contagion risk.
- **Continuous upgrade of information security management to meet global standards:** KBank's information security management system has been awarded ISO 27001:2013 certification for the ninth consecutive year. The system covers key services and systems, the data center and Cyber Security Operations Center (CSOC). We were also awarded PCI DSS V3.2.1 for our credit card data security system, which covers Payment Gateway on Cloud available for card accepting merchants. In 2022, we expanded the scope of acquiring system – EDC service in Vietnam. KBank also obtained PCIPIN SecurityV3.1 for the securitysystem for card use atATMs.
- **Strengthening of customers' data protection and privacy management:** We took actions related to policy implementation, work processes, measures for granting consent and exercising of rights by customers, privacy notice, and preparation of a plan to cope with personal data breaches, while a test was conducted to ensure that the processes have been improved for enhanced efficiency. Along with this, we developed the work system, control measures and relevant infrastructure to be in compliance with the Personal Data Protection Act B.E. 2562 (2019) while also continually communicating to employees and customers. The Data Governance Sub-committee is responsible for overseeing operations related to personal data protection.
- **Implementation of measures for controlling advanced threats** to companies within the Financial Conglomerate and international branch network in alignment with our strategy of regional business expansion: Measures include advanced threat prevention, e.g., enhancement of capability of various cyber security solutions to prevent zero-day attacks, proactive threat detection, e.g., increase visibility to detect external threats, and timely and effective threat response in order to stay ahead of fast-changing cyber threats that are always becoming more diverse and sophisticated.
- **Reinforcing a cyber hygiene culture** that involves the Board of Directors, management, employees, customers and third party, through dissemination of knowledge in various media such as a cyber awareness campaign for customers, e-learning, security newsletter, and cyber news alert. Moreover, a phishing drill exercise was conducted so that employees were prepared to cope with

the phishing threat. We also arranged KBTG Kampus: Cybersecurity Bootcamp for the general public, especially those who are in charge of cyber security to help bolster their potential in service of the country's technology job market.

- **Enhancement of business partner and third-party risk management:** KBank has conducted risk assessment and management before the beginning of the business relationship until the end of the relationship. Tools were used for business partner and third-party risk assessment during the onboarding process, while monitoring continued after the end of business cooperation to ensure ongoing surveillance. We also gave them alert in case significant irregularities related to cyber threats were detected. All these actions are taken to ensure that we have conducted risk management of service, system interface, and data access by third parties appropriately in line with related regulations.
- **Continual enhancement of fraud management and intelligent system** to ensure enhanced security for customers' transactions and increased efficiency in fraud detection in various forms for a broader coverage.
- **Continual enhancement of market conduct management** accounting for customers' demand, financial status and understanding to ensure that customers receive fair service and treatment with complete and accurate information about products and services in alignment with good market conduct practices.
- **Management of pandemic risk** which covers prevention, monitoring and incident response to create confidence for employee performance and customer services under safety practices and business continuity guidelines. They include:
 - **Prevention:** We have adjusted control measures in line with the government's guidelines and the prevailing pandemic situation, with our focus on the hygiene of employees and customers.
 - **Monitoring:** We have continually monitored the situation both internally and externally to keep abreast of the latest developments to ensure timely and efficient management of any incident.
 - **Incident response:** We established a working group and crisis management plan for pandemic that we can manage the situation efficiently and appropriately for the prevailing circumstances while also issuing assistance measures for all stakeholders, including customers and employees.

KBank has improved our crisis management plan based on the actions already taken while also promoting learning habits among employees to ensure that we will be efficiently prepared for future emerging infectious diseases.

2.2 Risk Management

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

□ Credit Risk Management

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

In 2022, KBank focused on customer service and credit risk management for every customer segment to ensure that risk levels remained under risk appetite. Customers' businesses were still challenged by the COVID-19 pandemic. Despite the easing outbreak and relaxation of the government's control measures to stimulate the economy, risk persisted from the prolonged Russia-Ukraine conflict, preventing the global economy and trade from fully returning to normal. Meanwhile, digital disruption prompted KBank to focus more on stringent customer screening criteria while prioritizing sustainable assistance measures, particularly for small and micro businesses as well as retail customers, while also seeking to acquire customers with stronger financial status and sound debt servicing ability. Moreover, KBank has policy to integrate climate-related risk – which may affect customers' business operations through physical risk and transition risk – as one of the factors in the credit underwriting process and use it as one of the components in assessing impacts on the Bank's credit portfolio.

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

Credit Risk Management Policy

To achieve sustainable growth, our credit strategy focuses on a balance between portfolio value creation and protection within our risk appetite. Credit policy and related credit procedures must comply with this strategy and must be in line with laws, regulations, the Bank of Thailand's fair lending management guidelines, the government's policy adjustment and the plan that focuses on

United Nations Sustainable Development Goals (SDGs), including how to cope with climate change impacts that may have on business operations in terms of risk and business opportunity.

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

Credit Risk Management Process

KBank has closely and continually monitored our customers while assessing business recovery trends under the prevailing circumstances to ensure effective risk management and prioritize assistance for our clients. We implemented appropriate aid measures for each customer segment in alignment with the government's guidelines and KBank policy. KBank also focused on expansion of loans to customers with stronger financial status and sound debt servicing ability.

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

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

● Portfolio Management

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

loan growth target in alignment with prevailing economic conditions, taking into account customer segments, product domains and industry outlooks, to maximize returns under risk appetite.

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

KBank adopted credit risk management mechanisms as follows:

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

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

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

For retail customers whose main products comprise home loans, credit cards and other types of financing, including loans for small and micro businesses, KBank deploys credit scoring as a credit approval tool, focusing on verification of income and liability information accuracy and consistency of each customer. KBank has also focused efforts on credit approval process improvement, while ensuring risk levels under risk appetite.

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

- **Post-Credit Approval Operations**

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

- **Impairment Losses of Financial Assets**

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

- **Debt Quality Monitoring**

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

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

- **Credit Policy and Process Review**

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

- **Market Risk Management**

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

In 2022, easing of the COVID-19 pandemic was a boon to global economic recovery. However, the Russia-Ukraine conflict triggered volatility in money and capital markets worldwide while prompting the inflation rate in many countries to rise sharply. As a result, various central banks adopted tightening monetary policy. As evidenced, the Federal Reserve hiked its Fed Funds Rate to its highest level in 15 years, leading to strengthening of the US Dollar, especially against Asian currencies. Meanwhile, the Thai Baht softened to Baht 38 per USD, and the Bank of Thailand hiked its policy rate from 0.50 to 1.25 percent.

Given the interest rate hikes in many countries to tame inflation, the global economy is poised to see a slowdown in 2023. Even worse, certain major economies may lapse into a recession. Under these circumstances, the Thai economy will feel impacts both directly and indirectly even as normalization occurs in Thai society and its economic activity.

- **Market Risk in Trading Book Activities**

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

- **Market Risk in Banking Book Activities**

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

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

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

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

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

KBank continually monitors interest rate risk in banking book activities by assessing interest rate risk gap to evaluate net interest income sensitivity over the next 12 months, based on an assumption of a 1.00-percent change in interest rates on all types of assets and liabilities at their re-pricing periods. The results of that risk assessment are shown below:

Net Interest Income Sensitivity to Interest Rate Change

(Unit: Million Baht)

For the Year Ending	Dec. 31, 2022
	+100 bps
THB	2,308
USD	(376)
CNY	(351)
Other Foreign Currencies	(12)
Total Effect of Interest Rate Change	1,569
% of expected Net Interest Income (NII) in the next 1 year	1.34

➤ Equity Risk in Banking Book Activities

KBank is exposed to equity risk from investment in equities, either directly or indirectly via funds. We have complied with regulations and procedures of relevant government agencies under the established risk framework. Data analyses and close assessments of relevant events have been employed in order to manage equity investment to ensure maximum benefit of KBank.

➤ Foreign Exchange Risk in Banking Book Activities

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

□ Liquidity Risk Management

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

Liquidity in the banking system during 2022 was ample because deposits saw stronger growth than net loans. Meanwhile, liquidity management at given periods may vary from bank to bank, depending on its liquidity position and management guidelines. KBank has been fully equipped with tools for appropriate liquidity management both in terms of foreign currencies and Thai Baht to protect ourselves against any potential liquidity shortage. Aside from efficient monitoring of liquidity risk in light of situations that may incur risk indirectly, we have

also adopted a Business Continuity Plan (BCP) to guard against disruptions to essential operations and systems, allowing us to fulfill our obligations in the event of an emergency.

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

KBank has regularly developed tools to assess and analyze liquidity risk that meet international standards including Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). Moreover, KBank has devised an effective plan for overall liquidity management, including foreign currencies, along with review and revision of liquidity risk management processes and adjustment of our funding structure in response to changing market conditions and liquidity in the banking system, taking into account business growth potential and ability to cope with global economic volatility and rapid change in financial asset prices. We determine appropriate strategies to maintain a suitable level of foreign currency liquid assets, consistent with growth in foreign currency deposits, and to guard against any heightened liquidity risk stemming from volatility in the global economy and fast changing financial markets, taking into account business growth potential.

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

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

❑ Operational Risk Management

Operational risk refers to the risk of direct or indirect losses to a bank's revenue or capital resulting from incorrect or inadequate processes, personnel, operating and IT systems, or external events. KBank has thus placed importance on operational risk management through the development of policies and operational risk frameworks to enhance our operational risk management as a unified standard, prompting enhancements that allow us to assess risk and proactively seek preventive measures.

KBank focused on strengthening end-to-end operational risk management to assure that customers will continually receive fair service and treatment in alignment with their needs under prudent and efficient risk management process.

Key focus areas cover the enhancement of product management throughout product cycle, the proactive risk management amid the COVID-19 pandemic to ensure business continuity. We also prioritized development of business partner and the third party risk management, improvement of system interface or

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

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

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

❑ Reputational Risk Management

Reputational risk arises when the general public, for example, customers, suppliers, investors and regulators, perceive KBank in a negative light, leading to their lack of confidence in KBank. Such a situation may affect KBank's revenues and/or capital funds both at present and in the future. Reputational risk may be caused by any actions that are not compliant with the code of conduct, societal expectations or service standards of the business, such as infringement of agreements, or unfair market conduct.

To ensure KBank's appropriate and efficient reputational risk management, the Reputational Risk Management Policy has been formulated, along with the management guidelines to mitigate such risks to be within risk appetite, while providing monitoring and management processes for any circumstances that may create reputational risks, in order to ensure proper, fast and timely risk management that prudently takes into account stakeholders and possible impacts on any components of KBank.

Reputational risk management has been focused on responding to all major stakeholders, including customers, regulators, staff members, business partners and suppliers, investors and credit rating agencies, and the general public, media organizations and influencers.

The reputational risk management processes are composed of the following steps:

1. Risk Identification: Consideration is based on factors that may have negative impacts on KBank's reputation, and assessment of the prevailing risks and potential risks that may emerge at some point in the future.
2. Risk Assessment: Reputational risk indicators are clearly defined and in conformity with related factors.
3. Risk Monitoring, Control and Reporting: The processes of risk monitoring, control and reporting are set up to control risks within risk appetite.

□ Digital Risk Management

Digital risk continues to become more severe and sophisticated. It therefore has significant implications for KBank's business operations amid an interconnected world where we have more linkages with outsiders while there is also a focus on the development of new financial products and services such as digital asset-related transactions. Digital risk may arise from financial services via digital channels, data management, cyber threats and the use of IT to support business operations. It may come from internal or external factors, possibly having adverse impacts on, or causing financial or non-financial losses to, KBank and our customers, either directly or indirectly.

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

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

- **Governance:** The Risk Oversight Committee is responsible for supervising risk management in alignment with risk management policy and strategy within the risk appetite.
- **Policies:** We have reviewed and revised relevant policies to be consistent with our organizational structure, our business vision for maintaining our growth and leadership status in Thailand's digital banking business, as well as regulatory requirements and capability to efficiently cope with present and future threats.

- **Processes and technology:** We have been given priority to continuous improvement of our information security management in both financial transactions and services, while also bolstering the capability to protect ourselves from advanced threats. Along with this, we have implemented data leakage preventive measures to protect our customer data.
- **People and culture:** KBank has bolstered personnel capabilities in line with our business directions, new risks and threats. We have emphasized the creation of a cyber hygiene culture and confidence in KBank's cyber security among four personnel groups, i.e., the Board of Directors and senior management, employees, customers and third party of KBank, via communications in different formats to keep them abreast of cyber risks as well as provision of knowledge related to best practices. In addition, phishing drill exercises have been conducted to test how employees respond to phishing emails and fraudulent websites to ensure that they can identify phishing threats and can properly cope with them for efficient prevention.

KBank conducted risk assessment and revised a plan for the development of its digital risk control system to be consistent with cyber threats and past performance. Significant risks include risk incurred from operations and IT that accommodate innovative financial services and products or new channels to respond to customers' needs, heightened risk in linkage with business partners, adoption of innovative technology to services, various types of cyber threats which have more severe impacts, risk from data leakage as well as change in rules and regulations which become ever more stringent, especially the Personal Data Protection Act. In addition, KBank established a development plan for digital risk management with measures in place to closely monitor our operational plan and regularly report operating performance via relevant committees/sub-committees to ensure that digital risk remains within risk appetite.

□ Strategic Risk Management

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

In 2022, the key factor that significantly affected strategic risk was the Russia-Ukraine war, which triggered high uncertainty in the global and Thai economy amid soaring energy prices. Given the protracted conflict, energy prices rose unabated, which played a role in prompting several central banks to raise their interest rates in sync to try and curb the runaway inflation. Additional inflationary pressures impacted the

recovery of economic activity, both directly and indirectly, after countries including Thailand gradually ended their COVID-19 control measures. Under these circumstances, asset quality management and assistance for borrowers who had yet to see a turnaround were major challenges which required appropriate solutions.

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

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

2.3 Emerging Risks

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

Emerging Risks	Description of Risks	Potential Business Impact of Risks	Mitigating Actions
Financial Landscape Risk	Digital technology development has given rise to rapid and tremendous change in financial landscape, triggered by the financial rules under the Bank of Thailand's guidelines and revision of rules and regulations regarding environmental conservation in line with the global context. Under these circumstances, financial institutions and other financial service providers are bracing for	KBank is a leading organization with readiness in development of technologies which can link to key mechanisms of the country's economic and financial system. As a leader in technology, we meet with high expectations in the development of innovations to serve our customers. We have also assumed the role of linking the systems of other organizations in both the public and private sectors	KBank has incorporated consideration of ESG risk into our operational processes while also establishing the structure, policy and goal of business operation in line with sustainable development principles across three dimensions, i.e., economy, society and environment. We are thus committed to: <ul style="list-style-type: none"> • Achieving net zero in our own operations by 2030 • Supporting Thailand and our clients in regional economies on their

	<p>more complex challenges. They are, i.e.,</p> <ul style="list-style-type: none"> • Open competition: The entry of new players from various businesses and the emergence of a virtual bank or a digital-only bank will trigger open competition in the market. • Risk management of systems and big data: The government's rules and regulations encourage the banking sector to allow units and organizations of both the public and private sectors to connect their systems with banking infrastructure and open infrastructure, leading to open data ecosystems. • Adjustment of business operations for sustainability: Businesses must be aware of environmental conservation and accountability to customers. Focus should be on implications of responsible lending and responsible innovation to maintain a balance between the acceleration of financial inclusion among new customer groups and the promotion of knowledge and understanding of the use of various products to elevate customers' life quality. • Development of global digital currency: Cryptocurrencies have recently seen high volatility as no established regulatory regime exists for their trading. However, the Bank of Thailand has a policy of supporting the development of Retail Central Bank Digital Currency (Retail CBDC) as an alternative for 	<p>to the Bank's financial infrastructure. We therefore prioritize continual investment in technology to maintain system stability and cyber security, while also being prepared for the development of support tasks on a continual basis to ensure customer confidence in using our services.</p> <p>Meanwhile, our role as a financial intermediary is being challenged across various dimensions in a new competitive landscape. Both existing and new players are branching out to the digital banking business while developing financial innovations to accommodate various financial transactions via digital channels for both retail and business clients. These developments have inevitably affected our core business income. We are also facing many other challenges, notably market conduct rules which have incurred rising service costs for us, and the implications of responsible innovations as well as future regulatory changes whereby KBank serves as a mechanism which plays an important role in maintaining the stability of the country's economic and financial system.</p> <p>The development of Retail Central Bank Digital Currency (Retail CBDC) under the cooperation of the business sector, banking sector and central banks within the region may serve as a prelude to effective financial innovations. This is a new challenge requiring effective management of both risks and opportunities that may arise in the new world era.</p>	<p>decarbonization journeys while also contributing to the global effort to transition to net zero emissions by 2050</p> <ul style="list-style-type: none"> • Allocating at least Baht 100-200 billion in sustainable financing and investment by 2030 • Pioneering multiple products to promote financial inclusion while developing and creating financial discipline within the household sector, especially vulnerable groups, so as to reduce inequality and improve the general public's quality of life for sustainability in society and the economy. <p>Meanwhile, KBank is prepared to cope with impacts from changing consumer behavior and emerging technologies. We prioritize improvement of customer responsiveness and our competitive capabilities in the market, where new players from various industries have joined the fray. To this end, we have conducted studies on decentralized finance (DeFi) for development of services beyond banking solutions while maintaining our leadership in the digital banking sphere.</p> <p>Moreover, KBank has expanded our investment in various digital asset-related businesses and blockchain technologies. For instance, we established a subsidiary to provide an initial coin offering (ICO) portal service in the primary market via blockchain. Moreover, KBank has invested in a consultant firm that offers digital asset advisory services. We have also developed a marketplace platform to support the creation and sales of non-fungible token (NFT) while forging a partnership with the Stock Exchange of Thailand in establishing Thai Digital Assets Exchange (TDX), which envisages being a central platform that connects investment</p>
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	conducting transactions on digital platforms which can be used at the national and regional levels.		to other asset classes. KBank continues to prioritize proactive integrated risk management and efficient capital management throughout our journey towards service enhancement in a changing competitive environment.
Geopolitical Risk	<p>Geopolitical risk involves risk incurred from international relations which are associated with political power, economic resources and geographical territory. When the present balance is challenged, the global economy may be directly and indirectly jeopardized, which could potentially affect business operation.</p>	<p>Geopolitical risk may impact the economic system across various dimensions, namely inflation, foreign exchange rates, interest rates and volatility in commodity prices. Impacts can be divided into two types.</p> <ul style="list-style-type: none"> • Direct impact: Business sector, including KBank and our customers engaged in commerce with the conflicting parties will be directly impacted due to inability to conduct sales/purchase/payment transactions as usual. • Indirect impact: The overall economy will see a broad-based slowdown, causing KBank's asset quality to deteriorate. 	<p>KBank is aware of geopolitical risk and its potential impacts. KBank has assessed the severity of every conflict and its potential impacts on our own and our customers' business operations, on a regular basis. We also prepare assistance measures to businesses affected by geopolitical conflicts.</p> <p>Furthermore, we have improved stress testing processes and models for enhancement of our forward-looking and preventive risk management. So doing helps KBank to operate our business continually and sustainably.</p>
Climate-related Risk	<p>Climate-related risk consists of two types of risk, namely physical risk, such as floods, drought, etc., and transition risk, such as implementation of carbon tax measures, and changing consumer behavior on account of increased environmental concerns.</p>	<p>Physical risk arising from climate change-induced disasters – whether of short- or long-term consequence – is set to emerge with greater frequency and intensity. This phenomenon may have a direct impact on the business sector throughout supply chains and be catastrophic to properties of customers and KBank, alike. Aside from business disruption, we may have to bear hefty costs for prevention and rectification of any adverse impacts.</p> <p>Meanwhile, the transition to a zero carbon society has led to changes in laws, regulations, policies and various practical</p>	<p>KBank is aware of risk and always recognizes the importance of the impacts of our business operations on the environment and society. As they could have adverse effects on our image and lead to KBank's financial loss, we have therefore established operational guidelines as follows:</p> <ul style="list-style-type: none"> • Integrate climate-related risk into Bank-wide risk management processes • Put in place governance structure, policies and management related to climate change • Assess risks, opportunities and impacts via climate-related scenario analysis in accordance with the guidelines of the Task Force on Climate-related Financial Disclosures (TCFD)

		<p>guidelines for management of climate-related risk. This has caused the business sector to face increased costs through investment in additional equipment, compensation expense, research and development, opportunity cost stemming from delay in the start of commercial operations, project termination and asset impairment. Indirectly, we may also feel impacts should the businesses of our customers or sponsors suffer a tarnished reputation. Unless the business sector adjusts itself appropriately and in a timely manner, its competitiveness and debt servicing ability may inevitably be impacted. This may have repercussions for KBank's asset quality and eventually its financial standing.</p>	<ul style="list-style-type: none"> • Assess the impact on own operations and the impacts of lending in support of various businesses at the portfolio level in the dimensions of economy, society and environment • Set the target of greenhouse gas emissions (GHG) reductions of industries that emit significant amount of GHG for the formulation of sector strategy • Promote collaborative action with our customers in the transition to a zero carbon society • Formulate a action plan for reduction of GHG in our own operations and adaptation plan to cope with risks that may be incurred to KBank's assets and operations. <p>All of these endeavors aim to mitigate climate-related risk, which will allow us to achieve our GHG reduction targets in alignment with Thailand's aspirations.</p>
<p>Emerging Infectious Disease Risk</p>	<p>Emerging infectious disease risk is deemed a key risk that KBank and other organizations around the globe must continually monitor and be prepared for. Major influential factors include:</p> <ul style="list-style-type: none"> • Occurrence of mutations: New variants found in both animals and humans may be identified. The mutations may be subject to the changing environment, and human-to-human transmission may occur. • Social behavior: Even though people have obviously embraced the 'new normal' lifestyle, they basically carry on with in-person contact and activities. Population density and convenient transportation 	<p>The risk of new pandemics is likely to emerge in the foreseeable future. It could even escalate to the extent that there are wide-ranging effects on economic and social systems as well as KBank's operations. In detail:</p> <ul style="list-style-type: none"> • Customer service under good hygiene practices: KBank will have to adjust the approach of our business operation and service to ensure safe and continual services for our customers in alignment with the need for digital services and products. We must also appropriately implement relief measures to assist pandemic-hit customers. • Care for employees and adjustment of our work process and control: KBank attaches importance to 	<p>KBank has in place infectious disease risk management. Our focus has been on mitigating its impacts, especially those of emerging infectious diseases. To this end, we have undertaken various operations, including prevention, monitoring and response to incidents to ensure that our employees' work performance and customer services are under workplace safety practices and business continuity guidelines. In detail:</p> <ul style="list-style-type: none"> • Prevention: We have adjusted control measures in line with the government's guidelines and the prevailing pandemic situation, with our focus on the hygiene of employees and customers. • Monitoring: We have continually monitored the situation both internally and externally to keep abreast of the latest developments and ensure timely and efficient management of any

	<p>will allow disease transmission to easily occur in various areas.</p> <ul style="list-style-type: none"> • Vaccine limitations: Innovative technology has taken vaccine development to the next level to ensure fast prevention of diseases. However, this is a developing story which requires close monitoring of its impact. The question of whether such innovations in fact accelerate the emergence of new variants/ mutations merits careful study. Meanwhile, transmission control may be difficult as there are still a number of unvaccinated people. 	<p>employee hygiene practices. We have thus implemented measures and practical guidelines taking into account workplace safety, which allows us to deliver services continually and efficiently.</p>	<p>incident.</p> <ul style="list-style-type: none"> • Incident response: We established a working group and methods for incident response to ensure that we can manage situations efficiently and appropriately for the prevailing circumstances while also issuing relief measures for all stakeholders, including customers and employees <p>KBank has improved our crisis management plan based on the actions already taken while also promoting learning habits among employees to ensure that we will be efficiently prepared for emerging infectious diseases in the future.</p> <p>Moreover, KBank has formulated a dynamic provisioning plan to cope with impacts from deterioration in asset quality in times of crisis. This effort has allowed KBank to provide relief measures to ease the adverse impacts on all stakeholders.</p> <p>Furthermore, we have improved stress testing processes and models for enhancement of our forward-looking and preventive portfolio management. So doing helps KBank to operate our business continually and sustainably.</p>
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2.4 Shareholder Risk Management

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

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

3. Business Directions and Operations of Core Businesses

3.1 Sustainable Development and Corporate Governance

□ Sustainable Development in Action³

KBank continued to operate our business in accordance with the principles of a Bank of Sustainability, accounting for three dimensions – environmental, social and governance - under good corporate governance, appropriate risk and cost management. The Board of Directors approved and announced the Sustainable Development Policy in 2014, and it is reviewed every year in order to be concise, up-to-date and in conformity with the United Nations Sustainable Development Goals (SDGs) and Paris Agreement. Our sustainable development goals and practical guidelines have been cascaded to all units of KBank, ensuring that they have been translated into tangible, well-defined actions in order to create the maximum benefit for all stakeholders.

The 2022 Sustainable Development Plan aimed to advance the Sustainable Development Policy and Net Zero Commitment as well as promote financial inclusion among a broad range of the general public. Major operations are as follows.

- **Embracing ESG Aspiration with the aim of becoming the ESG leader among banks in Southeast Asia:** To this end, KBank's ESG strategy has been established for our business operations, accounting for environmental, social and governance priorities under Objective and Key Results (OKRs) for 2023-2025.
- **Setting up the Climate Pillar working group** to manage greenhouse gas emissions both from our own operations and financed portfolio.
- **Formulating an action plan in conformity to our Net Zero Commitment** which encompasses reduction of greenhouse gas emissions from our own operations such as use of energy saving office supplies, gradual installation of solar panels at KBank's office buildings and branches, gradual shift to electric vehicles and purchase of carbon credit and Renewable Energy Certificate (REC), etc. We also established guidelines for achieving net zero in our financed portfolios as follows:
 - (1) KBank has a policy to stop financing projects of new coal-fired power plant and coal. We aim to gradually reduce the amount of outstanding loans to coal-fired power plant and coal to zero by 2030 including implement a customer engagement plan to ensure that our customers and bank have the same direction to achieve net zero.

³ More details on sustainable development and materiality for KBank can be found in the Sustainability Report 2022

- (2) KBank formulated the Sector Decarbonization Strategy for three industries namely, power generation, oil and gas, and coal industry in order to achieve net zero in our financed portfolio.
 - (3) KBank granted support to sustainable financing and investment with the amount of Baht 25 billion. To this end, we launched the GO GREEN Together project to pioneer a comprehensive Green Ecosystem in Thailand in order to encourage the general public to take collective action in achieving Thailand's netzero goal.
- **Setting a strategic direction of a financial service provider by leveraging innovation:** Focus has been on promoting financial inclusion. To this end, credit underwriting process has been streamlined with risk assessment based on customers' debt repayment potential along with efficient cost management, and acceleration of debt collection and recovery as well as debt servicing ability. Moreover, we prioritize financial literacy and enhancement of customer potential for their sustainable growth.
 - **Building the capability on greenhouse gas management for employees:** To collaborate with the Stock Exchange of Thailand (SET) and the Thailand Greenhouse Gas Management Organization (TGO) to organize learning course on the climate change adaptation and mitigation among executives and employees.
 - **Partnering with other organizations for cooperation in sustainable development promotion.** Major operations are as follows:
 - (1) Becoming a member of the United Nations Global Compact (UNGC) to uplift our business operations in conformity with globally accepted principles, covering four key areas of human rights, labor, environment and anti-corruption.
 - (2) Becoming a signatory to the Partnership for Carbon Accounting Financials (PCAF) which is an initiative under the cooperation of the global financial sector to formulate international standards for assessment and disclosure of greenhouse gas emissions (GHG) financed by loans and investments.
 - (3) Participating in a project to promote GHG reduction in the business sector with the use of science-based targets (SBT) for 2022: This project was initiated by the Center of Excellence for Eco-Efficiency Faculty of Engineering, Thammasat University, and the Thailand Greenhouse Gas Management Organization (Public Organization).
 - (4) Taking part in the Climate Action Leading Organization initiative under the cooperation of the Thailand Greenhouse Gas Management Organization (Public Organization) and the United Nations Framework Convention on Climate Change (UNFCCC), which reflects our intent to lead in GHG management.
 - (5) Working with the Thai Bankers' Association (TBA) in advancing sustainable development of the Thai banking sector: KBank has taken the role of Lead Facilitator in sustainability with

key missions including preparation of the ESG Declaration and development of impact assessment tools and an industry handbook.

- (6) Representing the Thai Bankers' Association (TBA) in joining the Thailand Taxonomy working group of the Bank of Thailand: We offered our opinions and provided recommendations for formulating a 'green taxonomy' which will serve as a common guideline in classifying environmentally sustainable economic activities.

❑ Corporate Governance

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 with the aim of becoming a Bank of Sustainability. Our major Corporate Governance operations in 2022 included revision of the Board of Directors Charter, the Management Committee Charter, the Statement of Corporate Governance Principles, the Code of Conduct, the No Gift Policy, the Anti-Corruption Policy, KBank Tax Policy, the Occupational Safety and Health, and Workplace Environment Policy, and the Regulation for Directors' Securities and Stock Futures Trading in conformity with our business operations, regulatory requirements and the Corporate Governance Code for Listed Companies of the Office of the Securities and Exchange Commission and international best practices. Moreover, we reviewed our practices in accordance with the Corporate Governance Report of Thai Listed Companies 2023 of the Thai Institute of Directors Association.

Meanwhile, KBank aims to maintain and develop the standard of good corporate governance in a sustainable manner. Along with this, we focus on promoting good corporate governance culture as our organizational culture, while ingraining it in the operations of our employees at all levels. To this end, KBank has arranged communications and provided knowledge on the Statement of Corporate Governance Principles, the Code of Conduct, as well as major policies and operational procedures for directors, executives and employees of KBank and other companies within KASIKORNBANK FINANCIAL CONGLOMERATE, as follows:

- Organizing training courses for executives and employees via Microsoft Teams on Governance, Risk Management and Compliance (GRC) to be in compliance with rules and regulations, as well as internal control;
- Arranging training courses and communications via e-Learning system on the Code of Conduct and the Anti-Corruption Policy, wherein all executives and employees were required to sign in acknowledgement of the Code of Conduct and the Anti-Corruption Policy, and communicating on major policies and operational procedures, such as the No Gift Policy, the Conflicts of Interest Prevention Policy, the Regulation for Directors' Securities and Stock Futures Trading, and operational procedures for securities trading of employees, which covers constant supervision of the use of inside information,

- Communicating with executives and employees on the relevant topics of the Code of Conduct, such as the No Gift Policy and practices via an electronic network system, for their acknowledgement and compliance.
- Arranging an annual communication with our suppliers to encourage them to comply with the Anti-Corruption Policy and practices, and to participate in the Thai Private Sector Collective Action against Corruption.

3.2 Business Directions of KASIKORNBANK and the Wholly-owned Subsidiaries of KASIKORNBANK in 2022 and Outlook for the Next Five Years

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 – environmental, social and governance – under good corporate governance, appropriate risk and cost management. Guided by the Challenger Bank concept, KBank focuses on service innovation and business partnerships with the aim of promoting financial inclusion among a broad range of the general public. In order to empower every customer's life and business, we prioritize offering total solutions, with attentive and inclusive services anywhere, anytime, 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. We have established tangible and continual operational guidelines which focus on Purposeful and Practical Leadership, and K-Culture which fosters attitudes and behaviors of our personnel towards a shared goal under five Core Values, i.e., Customer at Heart, Collaboration, Agility, Innovativeness and Integrity.

We have established our strategic imperatives as follows:

1. **To become a Bank of Sustainability:** We have operated our business in adherence with the principles of sustainability across all three dimensions – environmental, social and governance (ESG) – under good corporate governance along with appropriate risk and cost management. Meanwhile, we focused on bolstering our competitive capabilities that go beyond banking and innovation. In parallel, we have built upon our traditional banking business in sync with the ever-evolving technology, consumer behavior and environment. Our focus was also on creating a strong brand, accounting for the dynamic change of expectations and needs of all stakeholders, namely customers, the general public, investors, organizations, mass media and our employees. We have conducted brand character survey and research, and adjusted brand loyalty measurement to reflect broad-based market perspectives while also establishing branding management guidelines that are in alignment with our strategic imperatives.
2. **To advance K-Strategy for business growth and customer responsiveness across all segments**
 - *Dominant Digital Payment* across all platforms and accommodate all types of payments. We also leveraged data analytics to grow our business while focusing on continuous

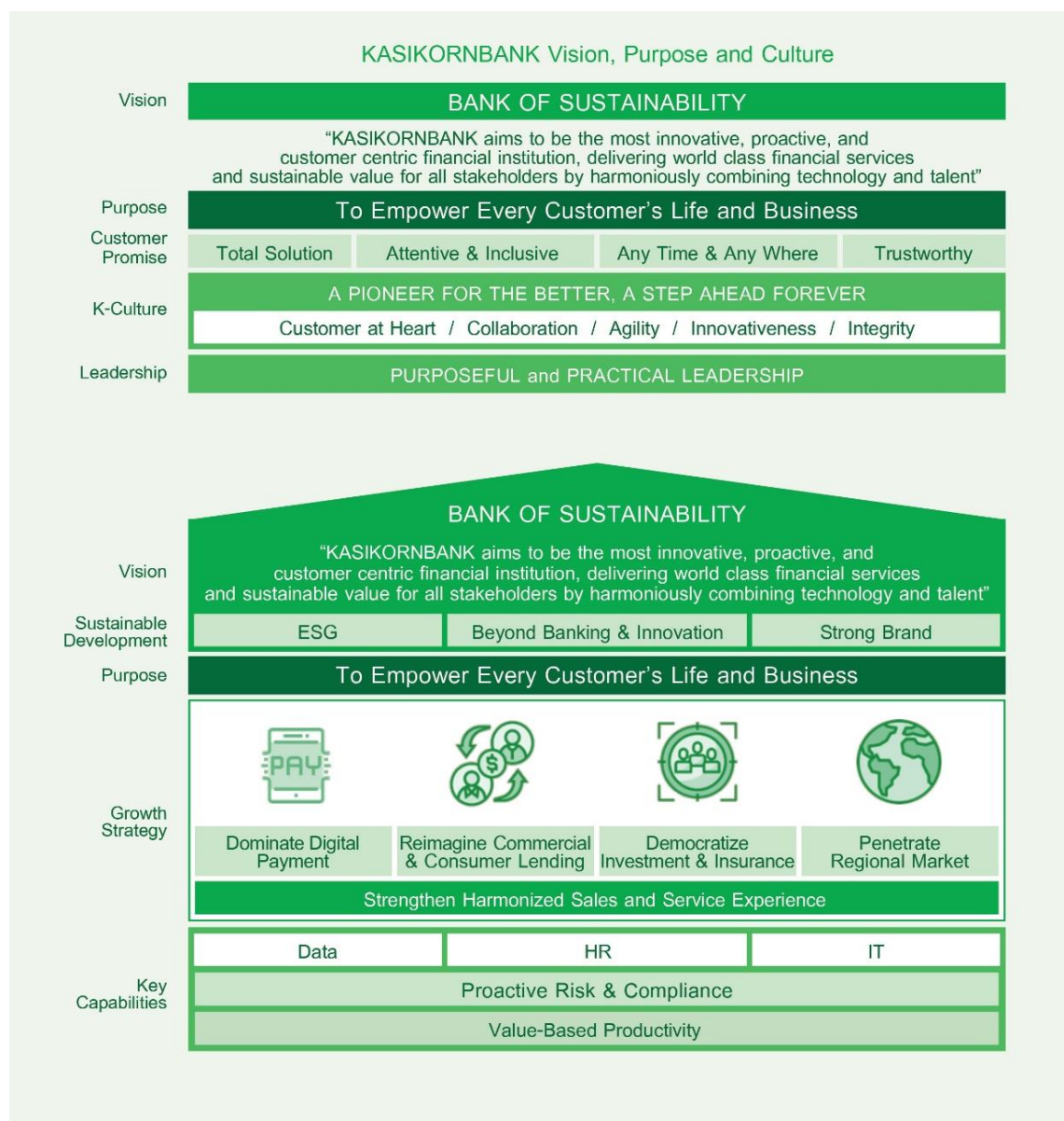
development of payment innovations domestically, internationally and regionally for an enhanced customer experience through excellent service delivery.

- *Reimagine Commercial and Consumer Lending* in order to assist our customers in their lives and businesses. This endeavor also generated an additional revenue stream for KBank under an appropriate risk-adjusted return. We have conducted data analytics based on data on digital channels and business transaction data obtained from counterparties within value chains in order to acquire customers with sound debt servicing ability who are interested in borrowing. We have conducted risk-based cost management and developed efficient practical guidelines for our three major customer groups as follows.

- (1) Retail Business: KBank prioritized the use of customer data and data analytics to gain relevant insights, allowing us to develop products and services which can efficiently respond to each individual customer's needs. We have seamlessly integrated all service channels, including the branch network and digital channels, while also orchestrating ecosystems through collaboration with our partners in various industries for enhanced business opportunities and greater accessibility to new customers. Along with this, we emphasized management of risks associated with fraud and asset quality when it comes to loans granted to new borrowers. For existing loan customers, we have placed emphasis on up-selling, cross-selling and up-spending through risk-based pricing.
- (2) SME Business: We have emphasized customer assistance and support to ensure that they can recover efficiently. We aim to be a Total Solution Provider for our SME customers. To this end, focus is on solid teamwork among our Relationship Managers (RMs), who are well-versed in KBank products, and branch officers who have an in-depth understanding of our customers' businesses and their needs. Along with this, we have leveraged data analytics and innovations to enhance the efficiency of our customers' business operations while bolstering their competitive capability for sustainable growth.
- (3) Corporate Business: Aiming to meet all of our corporate customers' business needs, we prioritized funding support and fund mobilization to ensure their cost effectiveness under appropriate risk management. Along with this, we provided staunch support for their transactions via all formats of electronic channels, while focusing on the offering of products and services responsive to all parties, including customers, suppliers, and employees throughout the business ecosystem. We have fostered our relationships with corporate clients who are business partners for enhanced opportunity in loan extension while giving them support in their transition to a low-carbon business.

- *Democratize Investment and Insurance*, targeting previously inaccessible groups. KBank has developed applications and channels while continually offering sufficient information to facilitate our customers in making their own informed investment decisions under cost effectiveness. Meanwhile, our Relationship Managers (RMs) are always on hand to appropriately recommend products of KBank and other companies within KASIKORNBANK FINANCIAL CONGLOMERATE to business and high net worth individual customers.
 - *Penetrate Regional Market*: We aim to become the Regional Digital Bank in accordance with our Asset-Light Digital Banking Strategy which focuses on business partnerships with local technology companies and startups in order to bolster our competitive capability with a broader service network and technology for enhanced customer responsiveness. To achieve this, we focus on three Strategic Plays:
 - (1) Aggressive Play: Focus has been on expanding our loan products to corporate customers through regional connectivity, especially Chinese clients in Thailand and other AEC+3 countries, Thai customers in other AEC+3 countries and local large corporate (LLC) customers within the AEC region;
 - (2) Mass Acquisition Play: KBank aims to expand our customer base in the People's Republic of China via partnership and self-owned digital platform, while also broadening our reach to clients within the AEC region via digital transactional channels;
 - (3) Disruptive Play: We have built up our capability to accommodate our venture into the digital lending space through development of financial technology, especially by processing data of KBank's and our partners' customers.
 - *Strengthen Harmonized Sales and Service Channel Experience*: We have seamlessly integrated all service channels of KBank through K PLUS – our key service channel. Focus has also been on service efficiency enhancement by leveraging our workforce, technology and business partnerships along with continuous technological infrastructure improvement.
- 3. End-to-end work efficiency enhancement:** We prioritize the upgrade of our long-term competitive capability through five core attributes:
- 3.1 Data: Development of data analytics capability to enhance business opportunities and operational efficiency
 - 3.2 Human Resources: Being the Best Place to Work, Learn and Lead
 - 3.3 Information Technology (IT): Adopting modern world-class technology to make KBank the top regional financial service provider
 - 3.4 Proactive Risk and Compliance: Proactively identifying potential risks and establishing loss prevention and detection
 - 3.5 Value-Based Productivity: Enhancement of work efficiency through creation of value proposition

To maintain our status as a leading financial institution and to cope with economic volatility in a timely manner, KBank emphasizes good corporate governance and strict compliance with related rules and regulations. We have prioritized data analytics for formulating proactive and integrated risk management principles and policies, efficient capital management and a risk-aware culture Bank-wide. Meanwhile, KASIKORNBANK FINANCIAL CONGLOMERATE has undertaken operations in order to accommodate policy guidelines and measures of the Bank of Thailand and other regulatory agencies, ensuring that we can strictly comply with those standards.



In alignment with our strategic imperatives, KBank operated our business with the aim of meeting the needs of domestic customers, including retail, SME and corporate customers, as well as those in the AEC+3 region, in 2022. Major operations are as follows.

3.2.1 Payment Service

KBank is determined to develop payment innovations with enhanced security and reliability to comprehensively meet the needs of business and retail customers domestically, internationally and regionally. We intend to dominate digital payment across all platforms with the aim of embedding in customers' ecosystems. Major products and services offered are as follows:

- **Business account opening service with identity authentication via K PLUS:** The service can accommodate the opening of up to five accounts of three account types including savings, fixed deposit and current accounts. Customers can also apply for up to five value-added services, namely Account Link, K-BIZ, K-BIZ PromptPay, K-eDocument and Cheque Book.
- **K SHOP "Get Money Easily and Surely":** Rebranded from K PLUS shop, K SHOP has developed Payment Link – a new feature that allows merchants to chat and share a payment link via social media, including LINE, Facebook and Instagram, and get paid immediately. Other features designed to meet the needs of merchants include voice alert for incoming funds, slip check via QR scan and close the QR acceptance for immediate account credit with no need to wait until the end of the day. K SHOP also accommodates Thai QR Payment, QR Credit Card for Visa, Mastercard and UnionPay, Alipay and WeChat Pay – the Chinese e-wallets, and QR code scan with payment made via K Point and Mobile Point of Sale (mPOS) under the PCI software-based PIN entry on commercial off-the-shelf devices (SPoC) – a world-class security standard.
- **Corporate Payment API:** Customers can make real-time funds transfer to recipients' accounts at any time. Currently, KBank provides the API service to e-commerce and cryptocurrency exchange operators. We also plan to expand the service to customers in insurance and auto hire purchase businesses. We added a channel for K Payment Gateway application via Bento Web – an online shop system providing comprehensive tools for store management, ranging from accepting purchase orders to receiving payment via social media and mobile devices, which can help reduce IT system development-related expenses for our clients who conduct their business via e-commerce platforms.
- **Promotion of YouTrip Multi-Currency Card, a digital wallet for travel that accommodates multiple currencies:** KBank offered special foreign exchange rates with waiver of conversion fee of 2.5 percent for spending in foreign currencies plus waiver of fees for cash withdrawal at ATMs in other countries and for card application. In addition, we launched promotional activities to promote the use of the card with our partners such as Klook Travel Fest – a travel exposition, a special campaign for customers who follow the Instagram of YouTrip card, while also offering cash back for customers who spend at Agoda and Booking.com via YouTrip Perks.
- **Introduction of K DEBIT (BIZ) and K MAX+ (BIZ):** Application for the newly designed K DEBIT (BIZ) and K MAX+ (BIZ) can be made via branches and K PLUS with special promotions offered for spending under the established conditions.

- **Development of K-Merchant:** K PAY LATER, which offers a credit line for installment payment for goods and services, is available via electronic data capture (EDC) machines of large organizations in various businesses such as electronic equipment and mobile phones, education, universities and healthcare. To prevent fraudulent merchant transactions, payment acceptance via K PAY LATER can be opened or closed by KBank. KBank also introduced various types of electronic data capture machines to our customers such as standard EDC and Android EDC machines together with PIN pads to replace traditional EDC machines and thus accommodate demand from large businesses.
- **Online Direct Debit (ODD):** The service was offered to gold trading businesses seeking to facilitate their retail customers in trading and saving gold through applications and websites.

3.2.2 Lending

KBank has reimagined commercial and consumer lending. Our focus is on the offering of digital lending with the aim of expanding the small-pocket customer segment. We conducted data analytics based on financial transaction data of our customers and counterparties within business chains in order to acquire customers with sound debt servicing ability who are interested in borrowing, while also considering risk-based pricing to ensure enhanced competitiveness under appropriate risk appetite. Along with this, we developed electronic channels for service application and transactions to provide greater convenience. Major initiatives include:

- **Green loans:** KBank provided financial support to renewable energy projects and green buildings to promote our Sustainable Development Policy. Notable projects included loans for investment in energy conservation and renewable energy, Green Zero home loan, and installation of Honda battery swapping stations at KBank branches.
- **Assistance measures for business and retail customers:** We focused on aiding customers affected by floods in many provinces. To this end, we introduced a measure on principal payment suspension for six months for customers of business loans, Commercial Loan, Home Loan, Xpress Loan, credit card, Xpress Cash and business cards. Additionally, loans for housing repairs were offered, with credit limits of not more than 90 percent of appraised value and loan term of up to 30 years, with no collateral appraisal required.
- **Personal loan products:** We introduced K PAY LATER to offer credit line for the purchase of consumer goods to small business customers. They can apply for K PAY LATER easily, with no income-related documents required, and get an approval within five minutes. We also expanded loan application channels at payment points and participating stores. K PAY LATER credit line can be used via online channels, namely Pay PLUS, Pay with K PLUS and the Blue CONNECT application.

- **Credit card products:** KBank, in collaboration with PTT Oil and Retail Business Public Company Limited (OR), launched a Blue Credit Card offering cardholders greater value for their spending. Card benefits include double points from both K Point and Blue Point, installment payments for goods and services with no interest charged for up to 10 months at participating merchants, and up to 12 percent cashback when spending with the Card at OR retail stores.
- **Business loan products:** We expanded the scope and channel of KBank Commercial Loan to service business and manufacturing business, in addition to the existing four businesses, namely restaurant business, trading business, agribusiness and construction business, to broaden business opportunities and ensure greater convenience for customers in accessing funding sources.

3.2.3 Investment and Insurance

KBank aims to democratize investment and insurance, targeting previously inaccessible groups. We developed digital channels to facilitate our customers in making their own informed investment decisions. Meanwhile, our Relationship Managers (RMs) are always on hand to introduce appropriate products of KBank and other companies within KASIKORNBANK FINANCIAL CONGLOMERATE to business and High Net Worth Individual clients.

- **Mutual funds:** In 2022, investment markets were quite volatile; therefore, KBank focused on offering low-risk funds including short-term fixed income funds and term funds. We also recommended multi-asset funds for proper diversification. For customers having a high risk appetite and seeking long-term opportunity, we recommended that they allocate some investments to growth markets such as the Socialist Republic of Vietnam. In addition, we promoted tax saving funds for customers so they could enjoy tax benefits while preparing sufficient savings for retirement.

For High Net Worth Individual customers, KBank developed advisory services and introduced new products, taking into account the impact of uncertain economic, financial and political environments both at home and abroad. We recommended investment allocation that focuses on ESG principles, risk diversification and alternative assets so as to enhance investment planning efficiency to ensure attractive and sustainable returns. Notable funds that promoted sustainable businesses were K Positive Change Equity Fund (K-CHANGE) and K Sustainable Fund Not for Retail Investors (K-SUSTAIN-UI). Along with this, we offered funds under the K-ALLROAD Series which focus on flexible portfolios that can be adjusted to suit market conditions. We also advised our customers to invest in alternative assets, especially private equity and private credit, being private assets which are quite resilient in the face of money market volatility.

In 2022, KBank upgraded the service for High Net Worth Individual customers to “Family Office”. Focus was on quality improvement of family wealth planning service across all dimensions of wealth, ranging from planning to growth, preservation and transfer, in alignment with international standards. Additionally, we organized seminars for our customers to join in person or live on the KBank Private Banking YouTube channel. In parallel, we equipped them with relevant knowledge available in several formats, i.e. infographics, short video clips, podcasts, YouTube, Facebook and LINE Official Account. Topics cover all knowledge related to portfolio management and participation in environmental conservation and sustainability.

- **Life insurance products:** KBank introduced “D Health Easy Care” life and health insurance which can be applied for online, with no health checkup required. The insurance covers inpatient department (IPD) medical expenses, a single inpatient room of standard type based on actual payment, and cancer medical coverage. Moreover, customers were allowed to buy extra coverage such as outpatient department (OPD) medical benefits, and compensation for work absence due to hospitalization. We also introduced a “Care Plus” health rider which covers ongoing treatment for cancer and chronic kidney failure, both outpatient and inpatient cases.

In addition, we offered “Car Shield” life insurance for customers applying for auto loans, helping ease their debt burdens in case of unexpected events. The insurance covers death from any cause and medical expenses in case of an accident.

For High Net Worth Individual customers seeking wealth transfer and inheritance tax planning, KBank recommended Life Insurance Whole Life 99/1, which features a 99-year insurance plan with single premium payment, plus a 2.25-percent cash benefit per year, with no health checkup required.

3.2.4 International Business Operations

KBank expanded its business in the AEC+3 market in accordance with our Asset-Light Digital Banking Strategy which focuses on a business partnership model. In 2022, KASIKORN VISION CO., LTD. invested in 12 local technology and startup companies and 4 venture capital funds via BEACON VENTURE CAPITAL CO., LTD. in the People’s Republic of China, the Socialist Republic of Vietnam, and the Republic of Indonesia to advance financial services within the region in order to achieve the “Challenger Bank of AEC+3”, which focuses on highly flexible services by leveraging advanced technology for greater customer accessibility.

KBank’s regional operations are governed by three key strategies including 1) Aggressive Play: aggressive expansion in corporate lending 2) Mass Acquisition Play: expansion of the customer base through digital channels in collaboration with the Bank’s partners, with the ultimate goal of becoming a regional payment platform 3) Disruptive Play: development of new products to serve customers with limited access to

bank services (the underbanked), a substantial customer base in this region. Specifically, these new products are digital lending with alternative data. Major initiatives in the last quarter of 2022 were as follows:

1. **The Socialist Republic of Vietnam:** KBank is the first foreign bank in Vietnam to offer comprehensive digital product solutions to all customer segments, including local and foreign investors, especially retail and small business clients. By leveraging K PLUS Vietnam, we intend to establish a digital lifestyle ecosystem for retail customers nationwide. Meanwhile, we launched KBank Biz Loan – a digital loan product for small merchants via collaboration with our partners and joint investment with local platforms in industries with high growth potential. Notable initiatives were:

- **Vui App, Vietnam's number-one earned wage access (EWC) platform**, which provides an alternative solution for low- and middle-income workers in Vietnam. KBank plans to offer loan and insurance products to retail clients, especially blue-collar workers in the Vietnamese market.
- **Selly – a social commerce platform** with a high engagement rate and a wide variety of products on offer.
- **Jio Health – Vietnam's largest telemedicine platform** with a large base of customers which will be supportive to KBank's customer acquisition plan.

We also established KBTG Vietnam to accommodate the development of technology for services in both Vietnam and other countries in the region.

2. **The Republic of Indonesia:** KBank increased our shareholding ratio in PT Bank Maspion Indonesia Tbk from the previous 9.99 percent to 67.5 percent. This is our first merger and acquisition in alignment with our regional expansion strategy, making KBank a controlling shareholder in PT Bank Maspion Indonesia Tbk, which has USD 888 million (approx. Baht 31.1 billion) in assets and 46 branches nationwide. KBank plans to apply technology and financial innovations of KBTG to propel the growth of PT Bank Maspion Indonesia Tbk – the largest bank in East Java – in order to accommodate the long-term economic growth of the Republic of Indonesia. Focus will be on enhancement of potential in lending and other financial service solutions as well as development of an efficient mobile banking system to meet the needs of three customer groups, i.e., local large corporate customers, commercial business clients and retail customers who presently have limited access to funding sources. Moreover, KBank invested in two platforms including Zenius, Indonesia's second largest EduTech platform; and Alodokter, the country's number-one healthtech platform, to support the future business operations of PT Bank Maspion Indonesia Tbk.

KBank has 16 overseas branches in eight countries including the People's Republic of China, the Lao People's Democratic Republic, the Kingdom of Cambodia, the Socialist Republic of Vietnam, the Republic of Indonesia, the Union of Myanmar, Japan, and the Cayman Islands (United Kingdom Overseas Territory). In addition, we have fostered partnerships with more than 80 other financial institutions in 16 countries, both within and outside the AEC+3 region. We also have a regional network of more than 20 startup firms in which KBank is an investor and business partner, as well as more than 2 million customers within the region.

International Branch Network

International Branch Network	Number of Locations	
	2022	2021
Branches of Locally Incorporated Institutions	6	6
KASIKORNTHAI BANK LIMITED (Lao PDR)	2	2
KASIKORNBANK (CHINA) CO., LTD.	4	4
PT Bank Maspion Indonesia Tbk	46	-
Branches	4	4
Representative Offices	6	7

3.2.5 Service Channels

KBank recognizes the significance of ever-evolving customer behavior and the increased use of digital technology for financial services. KBank therefore focused on providing seamless online and offline services while orchestrating ecosystems with our business partners for enhanced efficiency in accessing customers to deliver impressive services with the greatest cost effectiveness.

1. Domestic Branch Network: KBank developed multiple service channels with different roles and service scopes for greater customer accessibility while allowing them to use services anywhere, anytime in alignment with the daily routines and lifestyles of all customer segments. Along with this, we continued to focus on expanding service channels while adjusting branch models to align with customers' needs in each area nationwide. Focus was still on branch consolidation to reduce redundancy, especially those with relatively low traffic. We also supported the use of technology for development of services and branches' internal processes for enhanced efficiency under appropriate cost.

In 2022, we increased the number of hybrid branches to 19 in order to provide greater customer convenience via self-service electronic machines. We also offered service via five K PARK locations, and one mini-branch which shares the space of our business partners to provide basic services. Moreover, KBank remodeled the Siam Square Branch building to be the "Innovative Iconic Green Building" – a branch of the 5.0 era under the KLOUD by KBank project in alignment with the Bank of Sustainability concept. The building comes with architectural designs and technology which all accommodate the lifestyles and participation of customers in this neighborhood while providing spaces for holding activities to promote learning and creativity of the new era. All customers, students and the general public are invited to use the service free of charge

In addition, we offered KBank Service at targeted areas in each province across the country via banking agents and machine agents to provide cash deposit/withdrawal, bill payment and identity verification for electronic account opening as well as other services available by different agents. To promote greater use of KBank Service, we continually launched PR campaigns and marketing activities via our banking agents. In the fourth quarter of 2022, KBank pioneered an online lending application service at Global House on a trial

basis to offer greater convenience for customers seeking to apply for KBank services without going to a bank branch.

After the relaxation of COVID-19 control measures and the country's gradual reopening to international tourists in 2022, KBank gradually opened foreign exchange booths at bank branches, airports, Airport Rail Link stations as well as in other areas where the number of foreign tourists has increased significantly. Moreover, 13 automated currency exchange machines are now available at Suvarnabhumi Station, Don Mueang International Airport and King Power Mahanakorn Building. We also plan to develop other novel forms of services to be aligned with the changing spending behavior of tourists in the future.

Branches, Financial Service Centers and Electronic Banking Services

Domestic Branches and Financial Service Centers	Number of Locations		Electronic Banking Services	Number of Units	
	2022	2021		2022	2021
Branch Network ¹⁾	824	839	Self-Service Channel (K-ATM and K-CDM)	10,953	10,911
Foreign Exchange Booth	78	67	K-ATM (Automated Teller Machines)	9,053	8,960
THE WISDOM	79	95	K-CDM (Cash Deposit Machines)	1,900	1,951
SME Business Center ²⁾	179	156	K-PUM (Passbook Update Machines)	944	979
International Trade Service Center	58	58	Automated Currency Exchange Machines	13	8
Cheque Direct Service	13	21			

Note: ¹⁾ Excluding seven 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. Along with this, we developed functions on these electronic machines for enhanced customer responsiveness. In 2022, we introduced a voice alert function to prevent users from leaving their card at the machine after finishing the transaction in addition to identity verification function which is available for the opening of K-eSavings account and application for various services, namely LINE BK, K PAY LATER, opening of a fund account and activation of Blue CONNECT e-wallet. To accommodate inbound tourists from various countries, all of the machines are now equipped with a multilingual function for conducting transactions. Currently, K-ATM can accommodate 12 languages, namely Thai, English, Chinese, Japanese, Burmese, Lao, Cambodian, Russian, French, German, Dutch and Arabic, while K-CDM accommodates four languages, i.e., Thai, English, Chinese and Japanese.

- **Digital Banking Services:** We have continually developed our banking platform with the aim of expanding the number of users while maintaining our leadership in digital banking services – now the most often used platform in Thailand. Focus was on increased linkage of platforms with our business partners across all ecosystems and development of innovations to accommodate changing lifestyles. Major initiatives included:

- 1) **K PLUS:** We focused on making K PLUS an open banking platform that can connect with KBank business partners to ensure complete linkage within a digital lifestyle ecosystem, through the launch of innovations and new boundless services as follows:
- **K PAY LATER:** Application for the service for making installment payments for goods and services under granted credit line can be made by scanning QR code on K PLUS. The maximum credit limit is Baht 20,000, and the maximum installment period for utility bill payment is 5 months. Customers can also request a credit limit increase by themselves.
 - **QR UnionPay:** This new feature was developed for making QR cross-border payments via K PLUS at merchants displaying a UnionPay sign in China and more than 40 other countries worldwide.
 - **dStatement Service:** This service is used for sending KBank statements to other banks' mobile applications upon customer request in order to apply for loan with other banks. Customers can also request digital statements from other banks to apply for Xpress loan for business customers at KBank.
 - **K Online Debit Card:** Customers can apply for this virtual debit card on K PLUS and use it instantly, with no need to wait for a physical card. Also, card management, such as inquiry of card information and CVV number, card limit adjustment and card suspension, can be made via K PLUS.
 - **My Port:** This feature displays a summary of portfolios and proportion of fund types, including fund details, i.e., investment cost, performance and dividend. Also, fund subscription, redemption and switching can be made instantly with no need to return to the previous menu.
 - **Application for K PLUS using account number and National ID card number:** Existing KBank customers can apply for K PLUS online by themselves with an easier identity verification process.
 - **Customized e-slip background:** A new feature for setting e-slip background for transfer transactions has been added. The background will be available with themes tailored to special occasions such as birthdays, anniversaries and congratulations.
- 2) **K BIZ:** Developed from the former K-Cyber and K-Cyber for SME, K BIZ is a digital banking platform designed for business clients to accommodate financial transactions for a total business solution. K BIZ can be used via various devices, with multiple features available for small privately owned businesses, juristic persons and limited companies. We have also collaborated with business partners in offering privileges for users deploying K BIZ features to enhance their operational efficiency such as human resource management and account management.

- 3) **K-Payment Gateway:** We have developed the service for online stores of all business types, regardless of their manner of connectivity, in conformity with the Payment Card Industry Data Security Standard (PCI-DSS). Focus was also on service efficiency enhancement to accommodate the surging volume of online payment transactions, especially in e-commerce, marketplace platform and food delivery service. Payment can be made in various forms, including debit card, credit card, QR code, Pay with K PLUS, and the Alipay and WeChat Pay e-wallets.

Meanwhile, we introduced K PAYMENT LINK for merchants offering sales via social media channels. They can share payment links via chat and get paid immediately. Also, K SOCIAL PAY, a payment link service via LINE Official Account (LINE OA), was offered to merchants having LINE OA. They can chat, share purchase orders and check payments securely. Additionally, online retail stores can apply to use an e-commerce solution of BentoWeb, a store management system which is a business partner of KBank, and enjoy privileges based on the established conditions.

- 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, including:

- Notification of card spending, loan amounts, and appointments to use branch services via KBank Live on the LINE application.
- Search and inquiry of products and services, promotions and financial knowledge as well as KBank news and information such as information of loan products, card promotions, information of life and non-life insurance products, introduction of main features of K PLUS through the advertisement under the #KPLUS #TheGoodyApp concept, as well as interesting articles of K WEALTH Tips & Trends throughout the year.

- 5) **Other Platforms:** We have developed financial platforms for KBank partners as channels for offering products and services, and for conducting financial transactions. Such platforms can be adopted by many different businesses. Notable platforms are:

- **KBank Open API:** This service channel allows business partners and system developers to easily access, study, test and apply for API service of KBank in order to increase their capabilities in offering new products and services to target customers. Presently, KBank's available services include QR Payment, Inward Remittance, Information Sharing, Slip Verification and Online Bill Payment. New services launched in 2022 are KGP (Kasikorn Global Payment), Merchant Payment Platform and Funds Transfer from KBank account to other banks.
- **National Digital ID (NDID) Service:** This service features digital-based identity verification for customers applying for services of the public and private sectors. Another development is

dStatement service – the transmission of account statements between banks via NDID Platform. The 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 functions as appropriate.

• **K-Contact Center:** KBank has elevated our service capabilities to ensure total solutions in alignment with customer behaviors and their increased use of digital channels. We aim to become a Customer Engagement Center which orchestrates a seamless customer experience across all service channels, thus becoming their main operating bank that can also accommodate their lifestyles and business operations in a sustainable manner. Major operations are as follows:

- 1) **Chatbot Development:** We expanded the scope of non-voice channel and self-service in 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.
- 5) **Development of Service Process of K-Contact Center:** Focus was on improving our first-call resolution. Through streamlined and effortless processes, customers can be assured of prompt service delivery.
- 6) **Improvement of Service Quality:** Our employees have been trained with a focus on empathy skills and mindset in handling customer cases in order to deliver an excellent customer experience.

3.3 Operations of Support Groups

3.3.1 Human Resource Management

KBank focused on human resource management to be in step with the ever-changing financial and banking business within the ecosystem 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 a learning and leading innovation organization, which empowers customers' life and business, and the best place to work. To this end, we have implemented operational guidelines as follows:

1. **Strategy-Driven Structure:** We focus on an agile way of working to allow employees to work with greater flexibility and efficiency. This work format was introduced in 2019 and first applied with a small group of staff members. Subsequently, it was extended among core business divisions in eight key areas i.e., 1) credit; 2) wealth management; 3) payment services; 4) regional expansion in AEC+3; 5) business expansion via new channels; 6) beyond banking solutions; 7) ESG-related operations; and 8) new business development via technological innovation. To this end, we emphasize allocation of human resources with potential and expertise to ensure greater flexibility and delivery of products and services in alignment with customers' needs
2. **Improving work process efficiency:** KBank emphasizes the elimination of unnecessary bottlenecks while empowering our officers to adjust their own work processes. Attention has also been given to leadership teams, the "test and learn" mindset as well as coaching and empowerment, leading to enhanced speed and efficiency of work.
3. **Creating employee value proposition:** Under the "Possibility to Make an Impact" concept, we are determined to maximize employee potential through the three following elements:
 - 1) **Better Opportunities Through Powerful Resources:** As a leading organization in Thailand, KBank has ample funding resources, a large customer database and numerous world-class partners while also focusing on regional business expansion.
 - 2) **Limitless Growth:** We have supported learning among employees with the launch of various programs focusing on development and on-the-job training to enhance their opportunities for growth and career progress, allowing them to become practical and purposeful leaders. KBank always encourages our employees to unleash their full potential in order to achieve both the organization's goals and their personal goals.
 - 3) **Talented People Every Day:** KBank prioritizes personnel recruitment and development in order to create leadership values while also promoting an agile way of working to reduce workplace hierarchy with an emphasis on collaboration and innovation.

With the introduction of "Work that FITS", we have adjusted our work format from FIX to FITS – the hybrid work format which allows our employees to design their work style to fit their job in order to achieve work-life harmony. Focus is on flexible work arrangements in terms of working hours and

work sites, based on trust between supervisors and employees, accounting for appropriate risk management to ensure data system security under shared goals in order to deliver outcomes that meet customers' expectations.

4. **Fostering strong leadership characteristics:** With the aim of advancing KBank's business and delivering the most impressive services to our customers, we arranged activities to promote leadership for service excellence via a culture of innovation. To this end, we encouraged executives to join in a brainstorming session to determine expected behavioral guidelines for purposeful and practical leadership to ensure that managers are willing to walk the talk.
5. **Employee relations and benefits:** We organized meetings of the KASIKORNBANK Labour Union, KASIKORNBANK Officer Labour Union and KBank executives. We also held a meeting of the Employee Committee under the COVID-19 prevention measures. These meetings allowed for consultations and problem-solving discussions between employees and KBank, to strengthen our relationship.

3.3.2 IT Management

In 2022, 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 strictest cyber security control system. An effective management regime has also been put in place to cope with short-, medium- and long-term impacts during the transition, to achieve KBank's strategy of maintaining our competitiveness and becoming the trusted regional leader in the technological realm. Major initiatives can be summarized as follows:

1. **Development of products and services** to be consistent with ever-evolving consumer behavior and technological innovation.
 - **Developed and improved K PLUS application:** To enhance service efficiency and deliver a positive experience to 20 million K PLUS users, we added features that can better meet the needs of customers. Notable initiatives included:
 - Extension of the scope for service application on K PLUS: Customers can sign up for Xpress Loan, Xpress Cash, KBank Credit Card and K Online Debit Card – a virtual debitcard of KBank.
 - Notification on payment due of KBank Credit Card and display of income and expenditure of all accounts with statement inquiry for the past six months.
 - K PAY LATER which provides credit line for bill payment, allowing customers to make installment payment for up to five months via QR scan on K PLUS. Moreover, it has been developed to facilitate payment for water and electric bills.

- Improvement of K PLUS system which allows users to use their account number and national ID card number in K PLUS application.
 - Tracking of cheque status and notification in case of insufficient account balance as well as emergency cheque suspension.
 - dStatement service which allows customers to request other banks' statements on K PLUS. Upon the customer's request and consent, KBank will send bank statements in digital form to other financial institutions as evidence for their transactions such as application for Xpress loan for business customers at KBank.
 - Improvement of My Port feature which shows summary of customer's saving and investment including profit/loss, transaction history and dividend. Moreover, fund subscription, redemption and switching can be made instantly.
 - Payment via QR scan on K PLUS at stores with UnionPay sign with no fee, available in more than 40 countries worldwide.
- **Developed and improved MAKE by KBank application:** We aimed to increase the efficiency of the application, which serves as a financial assistant for more than 1 million accounts, of which 500,000 are monthly active users. Cloud Pocket is a key feature which allows customers to efficiently manage their savings and monthly expenses by themselves.
- **Developed and improved KhunThong social chatbot:** To accommodate the high volume of payments made via various channels on the KhunThong social chatbot – now topping 300,000 transactions per month and more than 1.1 million user accounts – we have developed a LINE chatbot function to help manage payment collection among LINE group friends, especially bill splitting for one-time payment and monthly payment such as Netflix bills, Internet fees and dormitory rental. The KhunThong social chatbot has various outstanding features; users just 'Add Friend' for KhunThong and specify the destination account, with no need to download any application. Customers can also link their income/expense account with K PLUS.
- **Developed Coral – an NFT marketplace platform:** Operated by KASIKORN X CO., LTD., Coral serves as a medium for trading non-fungible tokens (NFTs), with outstanding features that allow for artists' identity verification and NFT trading using fiat currencies. This NFT marketplace platform opens a novel experience connecting the real and virtual worlds. There are currently around 1,500 users and trading transactions amounting to a total of 162 NFTs, or more than Baht 130 million.
- **Developed Bigfin platform:** Under the operation of KASIKORN X CO., LTD., this platform serves as a tool for analyzing and managing investment in cryptocurrency and digital assets for our customers. Notable features are display of portfolio value and its profit/loss, and incoming/outgoing asset-related transactions in the wallet. Customers can also record their trade-related costs by themselves.

- **Offering of 'DESTINY TOKEN' - digital tokens for investment in the production of the 'DESTINY 2' film:** KUBIX DIGITAL ASSET CO., LTD., a company under KASIKORNBANK FINANCIAL CONGLOMERATE, teamed with GDH 559 Co., Ltd. and Broadcast Thai Television Co., Ltd. in offering digital tokens to support investment in the 'DESTINY 2' blockbuster project. The project period is not more than two years. Investors are entitled to multiple benefits, memorabilia and many more privileges based on the types of digital tokens they have subscribed to. This project could raise funds at a total of Baht 265 million from sale of more than 16,000 tokens.
 - **Launch of "M-Token" – a utility token:** In cooperation with Major Cineplex Group Public Co., Ltd., KUBIX DIGITAL ASSET CO., LTD. has developed its first utility token project in order to offer the tokens and access its customers under a new format. To this end, M Gen and M Pass members were given a total of 2,203 Airdrop M Tokens which could be redeemed for multiple benefits of Major Group.
2. **Regional business expansion:** KBank unveiled K PLUS Vietnam and developed its features in alignment with our strategic directions. Notable initiatives were as follows:
- Secure funds transfer and receipt anytime free of charge via VietQR
 - Real-time account activity notification, free of charge
 - Addition, deletion and arrangement of KBank account with convenience and swiftness
 - KBank Biz Loan self-application
 - Opening of second account which can be current and/or fixed account
3. **Investment to support development of Decentralized Finance (DeFi):** KASIKORN X CO., LTD. invested in Forward, a Thai-based global fintech startup specializing in blockchain and DeFi. The company successfully closed its Baht 160 million (or USD 5 million) seed round of fundraising. The round was led by RPVAF-1, a global venture capital fund under management of PrimeStreet Capital, with participation from BEACON VENTURE CAPITAL CO., LTD. from KBank, Krungsri Finnovate from Bank of Ayudhya, and a fund from KASIKORN X.

3.4 Awards and Commendation⁴

KBank and K Companies have achieved good performance, earning the recognition of various organizations at home and abroad, proven by many awards granted during 2022, notably:

Awards to KBank and K Companies

- Seven awards: Top Arranger – Investors' Choice for Primary Issues, Corporate Bonds (Baht, Rank 1), Top Arranger – Investors' Choice for Primary Issues, Government Bonds (Baht, Rank 1), Top Sell-side Firm in the Secondary Market, Government Bonds (Baht, Rank 3), Best Individual Thailand – Research (Thai Baht Bond, Rank 1), Best Individual Thailand – Sale (Thai Baht Bond, Highly Commended), Triple A Best Private Bank and Triple A Best Private Bank – HNWI from The Asset magazine
- Three awards: Best Bond Deal for Retail Investors in Southeast Asia 2022: SCG Chemicals PCL's Baht 60 billion Bonds, Best Local Currency Bond Deal of the Year (Thailand) 2022: SCG Chemicals PCL's Baht 60 billion Bonds and Best Sustainability-Linked Transaction of the Year 2022: BTSG PCL's Baht 31 billion Sustainability-linked Bonds from Alpha Southeast Asia magazine
- Two awards: Best Retail Bank – Thailand for the third consecutive year and Outstanding Interactive Chatbot Service by a Retail Bank from The Digital Banker journal
- Two awards: Best Chatbot / Voice Banking Initiative Application in Thailand and Best SME Bank in Thailand from The Asian Banker journal
- Best Contact Center of the Year, one of the 17 awards received from the Thai Contact Center Trade Association (TCCTA)
- Platinum Award for Customer Experience from the Contact Center Associations Asia Pacific
- Future Enterprise of the Year 2022, for the second consecutive year from the IDC Future Enterprise Awards
- Excellence Award under the Low Carbon and Sustainable Business Index for the second consecutive year from the Thailand Greenhouse Gas Management Organization (Public Organization)
- Selected for inclusion in the Dow Jones Sustainability Indices (DJSI) 2022, in both the DJSI World Index and DJSI Emerging Markets Index, for the seventh consecutive year
- Rated at Leadership Level (CDP A List) which is the highest rating in climate change management by the Carbon Disclosure Project (CDP) 2022
- Included as a member of the 2023 Bloomberg Gender-Equality Index (GEI)
- Winner – Best Bank for Sustainability and ESG Leadership from Private Banker International magazine
- Best Private Bank in Thailand from Professional Wealth Management (PWM) under Financial Times
- Best Private Bank in Thailand from International Business magazine
- Best Private Bank Thailand 2022 from World Business outlook magazine
- Seven awards from HR Excellence Awards 2022:
 - (1) Overall HREA Winner for the organization with the most outstanding performance in human resource management at the organizational and individual levels
 - (2) HR Leader of the Year (Gold Level) awarded to Ms. Sansana Sukhanunth, Human Resource Division Head
 - (3) Excellence in HR Change Management (Gold Level)

⁴ More details about awards to KBank and K Companies in 2022 are available in Management Discussion and Analysis (MD&A) for the first, second and third quarters of 2022, and Annual Report 2022 (Form 56-1 One Report) of KBank.

Awards to KBank and K Companies

- (4) Excellence in Workforce Flexibility (Gold Level) for Work That FITS project
- (5) Excellence in Work-Life Harmony (Silver Level)
- (6) Excellence in Leadership Development (Silver Level)
- (7) Employer of the Year (Silver Level)

- Best Companies to Work for in Asia 2022 – Thailand Region from HR Asia
- Highest Honor Award – Outstanding Establishment in Labour Relations and Labour Welfare for the 17th consecutive year from the Ministry of Labour

Awards to KBTG

- Best Companies to Work For in Asia for the third consecutive year from HR Asia
- Asian Experience Award in the category of Employee Experience from Asian Business Review magazine
- National Innovation Award in the category of Innovative Organization (Honorary Award) from National Innovation Agency (NIA)
- Red Dot Award: Brands & Communication Design in the category of Interface & User Experience Design (for Mobile User Interfaces) for KhunThong social chatbot, from Red Dot Institute
- UX Design Awards for MAKE by KBank application from International Design Center Berlin (IDZ)
- Employee Experience Award in the category of Most Innovative and Sustainable Office Design from Human Resources Online

Award to KASIKORN LINE CO., LTD.

- Best Digital-Only Bank in Thailand from The Asian Banker journal

Award to KASIKORN SECURITIES PCL

- Deal of the Year Awards from the Stock Exchange of Thailand (SET) together with Money & Banking magazine

4. Operating Performance and Financial Position

4.1 Operating Performance

KBank and its subsidiaries continued to conduct business with prudence under highly uncertain economic conditions. We adopted a proactive approach in taking care of our customers affected by an uneven economic recovery who had yet to see a turnaround while also giving them assistance and support to ensure their continual growth in order to benefit from upcoming business opportunities. Our focus was on financial technology development and synergy with our business partners in order to broaden the customer base while promoting financial inclusion among clients both domestically and within other countries in the AEC+3 region. These endeavors were undertaken in alignment with KBank's sustainability strategy.

KBank and its subsidiaries reported net profit for the year 2022 amounting to Baht 35,770 million, a decrease of Baht 2,283 million or 6.00 percent from the previous year. Operating profit before expected credit loss and income tax expense stood at Baht 98,504 million, an increase of Baht 6,199 million or 6.72 percent over the previous year. The increase came mainly from net interest income which rose by Baht 13,068 million or 11.40 percent in line with growth of new loans granted to retail and SME customers through the offering of loan products via digital channels by leveraging data analytics for lending in alignment with KBank's strategic directions. Amid the rising interest rates at home, our net interest margin (NIM) increased to 3.33 percent. Meanwhile, non-interest income dropped by Baht 3,700 million or 8.42 percent due mainly to a decrease in fees from fund management and brokerage fees as well as net premiums earned – net in line with market conditions.

Other operating expenses increased by Baht 3,709 million or 5.22 percent. The increase could be attributed mainly to an increase in marketing expenses under cooperation with our business partners, which were consistent with rising revenue in line with business volume, and an increase in IT-related expenses to accommodate customer demand. Given our efficient cost management, cost to income ratio decreased to 43.15 percent.

KBank and its subsidiaries set aside expected credit loss amounting to Baht 51,919 million, an increase of Baht 11,587 million or 28.73 percent from the previous year. The significant increase in our expected credit loss was consistent with KBank's prudent stance to ensure that it was sufficient to cope with risks stemming from the potential global economic slowdown and Thailand's uneven economic recovery. Moreover, the effort aims to strengthen and improve flexibility in our asset quality management to ensure our readiness in providing support and assistance to various groups of customers in alignment with KBank's strategic directions. As of December 31, 2022, our coverage ratio stood at 154.26 percent.

Operating Performance for 2022

(Unit: Million Baht)

	2022	2021	Change	
			Percent	Percent
Net Interest Income	132,998	119,390	13,608	11.40
Non-Interest Income	40,259	43,959	(3,700)	(8.42)
Total Operating Income - net	173,257	163,349	9,908	6.07
Total Other Operating Expenses	74,753	71,044	3,709	5.22
Expected Credit Loss	51,919	40,332	11,587	28.73
Net Profit (attributable to equity holders of KBank)	35,770	38,053	(2,283)	(6.00)
Basic Earnings per Share (Baht) ¹⁾	14.78	15.77	(0.99)	(6.28)

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 common shares outstanding

Major financial ratios that reflected operating performance of KBank and our subsidiaries in 2022 and 2021 are as follows:

(Unit: Percent)

Financial Ratio	2022	2021	Increase (Decrease)
Return on Assets (ROA) ²⁾	0.86	0.98	(0.12)
Return on Equity (ROE) ³⁾	7.38	8.44	(1.06)
Net Interest Margin (NIM)	3.33	3.21	0.12
Cost to Income Ratio	43.15	43.49	(0.34)

²⁾ Annualized

³⁾ 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	2022	2021	Change
Significant increase in credit risk loans ⁴⁾ to total loans ⁵⁾	6.47	7.27	(0.80)
Significant increase in credit risk loans and non-performing loans ⁶⁾ to total loans ⁵⁾	9.67	11.09	(1.42)
NPLs gross ⁷⁾ to total loans ⁸⁾	3.19	3.76	(0.57)
Total allowance for expected credit loss ⁹⁾ to NPL gross (Coverage ratio)	154.26	159.08	(4.82)
Loans ¹⁰⁾ to Deposits Ratio	90.77	93.20	(2.43)
Capital Adequacy Ratio ¹¹⁾	18.81	18.77	0.04
Tier 1 Capital Ratio ¹¹⁾	16.84	16.49	0.35

⁴⁾ Significant increase in credit risk loans used in calculation are loans to customers and loans to financial institutions which credit risk has increased significantly

- ⁵⁾ Loans used in calculation are loans to customers and loans to financial institutions and accrued interest receivables and undue interest receivables
- ⁶⁾ Credit impaired loans used in calculation are loans to customers and loans to financial institutions which credit risk has impaired
- ⁷⁾ NPL gross used in calculation are loans to customers and loans to financial institutions of non-performing loans excluded loans for credit balance and life insurance business
- ⁸⁾ Loans used in calculation are loans to customers and loans to financial institutions
- ⁹⁾ Included allowance for expected credit loss of loan commitment and financial guarantee, deposit to financial institutions, investments and other financial assets
- ¹⁰⁾ Loans = Loans to customers
- ¹¹⁾ KASIKORNBANK FINANCIAL CONGLOMERATE's Capital Adequacy Ratio (CAR)

□ Net Interest Income

KBank's consolidated net interest income for 2022 was Baht 132,998 million, increasing by Baht 13,608 million or 11.40 percent over-year. The increase could be attributed mainly to interest income from loans to customers which rose by Baht 11,463 million or 10.96 percent, derived from an increase in average return and new loan growth in line with the Bank's strategic directions. Moreover, interest income from interbank and money market items rose by Baht 2,836 million or 136.43 percent due largely to an increase in average return and average transaction volume. At the same time, interest expenses from debt issued and borrowings rose by Baht 1,022 million or 55.68 percent due to issuance of subordinated debentures of subsidiaries. Therefore, our NIM for 2022 equaled 3.33 percent, rising from the previous year.

(Unit: Million Baht)

	2022	2021	Change	
			Increase (Decrease)	Percent
Interest Income	151,332	135,414	15,918	11.76
Interbank and money market items	4,914	2,078	2,836	136.43
Investments	23,447	22,675	772	3.41
Loans to customers	116,042	104,579	11,463	10.96
Hire purchase and finance leases	6,928	6,073	855	14.09
Others	1	9	(8)	(91.01)
Interest expenses	18,334	16,024	2,310	14.42
Deposits from customers	7,748	7,380	368	4.99
Interbank and money market items	1,325	877	448	51.17
Contributions to Financial Institutions Development				
Fund and Deposit Protection Agency	6,317	5,838	479	8.19
Debts issued and borrowings	2,859	1,837	1,022	55.68
Others	85	92	(7)	(7.76)
Total Interest Income – net	132,998	119,390	13,608	11.40
Yield on Earning Assets (percent)	3.79	3.64		0.15
Cost of Fund (percent)	0.62	0.59		0.03
Net Interest Margin (NIM) (percent)	3.33	3.21		0.12

□ Non-Interest Income

For 2022, KBank's consolidated non-interest income totaled Baht 40,259 million, decreasing Baht 3,700 million, or 8.42 percent over-year. The decrease was attributable mainly to fees and service income – net which declined by Baht 2,434 million or 6.89 percent as a result of falling fees from fund management and brokerage fees as well as net premiums earned – net which decreased by Baht 1,610 million or 99.42 percent in line with the life insurance business condition.

(Unit: Million Baht)

	2022	2021	Change	
			Increase (Decrease)	Percent
Non-Interest Income				
Fees and Service Income	48,345	48,628	(283)	(0.58)
Fees and Service Expenses	15,463	13,312	2,151	16.16
Fees and Service Income – net	32,882	35,316	(2,434)	(6.89)
Gain (Loss) on Financial Instrument measured at Fair Value through Profit or Loss	5,053	5,539	(486)	(8.78)
Gain (Loss) on Investments	(130)	817	(947)	(115.97)
Share of Profit (Loss) from Investments using Equity Method	115	(694)	809	116.52
Dividend Income	3,445	3,310	135	4.11
Net Premiums Earned	66,056	69,360	(3,304)	(4.76)
Other Operating Income	2,123	1,290	833	64.62
<u>Less</u> Underwriting Expenses	69,285	70,979	(1,694)	(2.39)
Total Non-Interest Income	40,259	43,959	(3,700)	(8.42)

□ Other Operating Expenses

KBank's consolidated other operating expenses for 2022 was Baht 74,753 million, increasing Baht 3,709 million, or 5.22 percent over-year. The increase could be attributed mainly to rising marketing expenses under cooperation with our business partners which were consistent with rising revenue in line with business volume, and IT-related expenses to accommodate customer demand. Our cost to income ratio of 2022 was thus equal to 43.15 percent.

(Unit: Million Baht)

	2022	2021	Change	
			Increase (Decrease)	Percent
Employee Expenses	34,602	34,481	121	0.35
Directors' Remuneration	154	146	8	5.41
Premises and Equipment Expenses	11,408	11,345	63	0.55
Taxes and Duties	5,968	5,443	525	9.63
Others	22,621	19,629	2,992	15.25
Total Other Operating Expenses	74,753	71,044	3,709	5.22
Cost to Income Ratio (percent)	43.15	43.49		(0.34)

□ Classified Loans and Expected Credit Loss

● Classified Loans

KBank classified loans into three levels per TFRS 9. The classified loans in stage 2 include the loans with significantly increasing credit risk since initial recognition but without credit impaired. As of December 31, 2022, KBank and its subsidiaries had a total loans to customers and loans to financial institutions of Baht 2,911,863 million. For loans to customers (excluding financial institutions) including accrued interest receivables and undue interest receivables including allowance for expected credit loss consist of:

(Unit: Million Baht)

	Dec. 31, 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	2,229,656	46,612	2,130,347	47,459
Stage 2 Under-performing	188,303	46,075	201,878	51,060
Stage 3 Non-performing	93,344	40,842	106,187	46,253
Total	2,511,303	133,529	2,438,412	144,772

¹⁾ Including loan to customers and accrued interest and undue interest receivables

Loans with significantly increasing credit risk (under-performing loans) to total loans ratio was equal to 6.47 percent and loans with significantly increasing credit risk (under-performing loans) and credit impaired loans (non-performing loans) to total loans ratio was equal to 9.67 percent, improving from 7.27 percent and 11.09 percent, respectively, as of December 31, 2021.

● 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 2022, there were loans before modification amounting to Baht 21,626 million and incurred losses amounting to Baht 668 million.

□ Expected Credit Loss

KBank and its subsidiaries set aside expected credit loss of Baht 51,919 million for 2022, an over-year increase of Baht 11,587 million or 28.73 percent. The significant increase in our expected credit loss was in line with KBank's prudent approach which was appropriate for the prevailing economic circumstances. In addition, this measure aimed to strengthen and improve flexibility in asset quality management to ensure our readiness in providing assistance to various groups of customers in line with the Bank's strategic directions. As a result, our expected credit loss to average loans for 2022 stood at 2.11 percent, more than the figure of

1.73 percent for the previous year. Meanwhile, our coverage ratio as of December 31, 2022, was equal to 154.26 percent.

Expected Credit Loss

(Unit: Million Baht)

	2022	2021	Change	
			Increase (Decrease)	Percent
Expected Credit Loss	51,919	40,332	11,587	28.73
Expected Credit Loss to Average Loan (percent)	2.11	1.73		0.38

Allowance for Expected Credit Loss

As of December 31, 2022, our consolidated allowance for expected credit loss totaled Baht 133,529 million.

— Non-Performing Loans and Properties Foreclosed

Non-Performing Loans

As of December 31, 2022, KBank's consolidated NPLs stood at Baht 92,536 million or 3.19 percent of the total outstanding credit, including that of financial institutions. KBank's NPLs totaled Baht 88,047 million, or 3.19 percent of the total outstanding credit, including that of financial institutions. The NPLs data is shown in the table below:

Non-Performing Loans

(Unit: Million Baht)

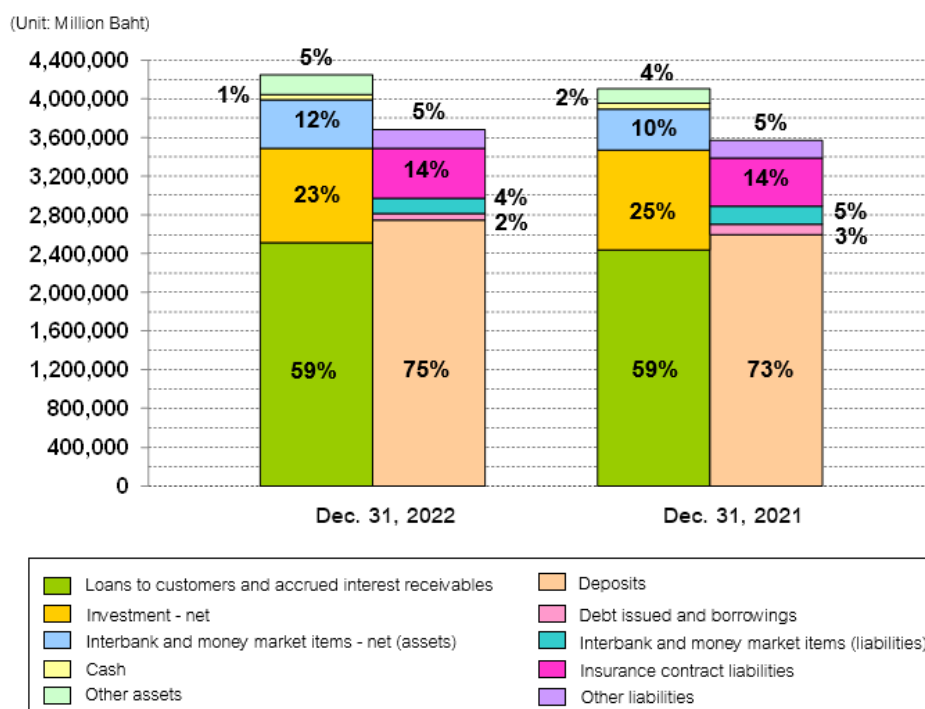
For the Year Ending	Dec. 31, 2022	Dec. 31, 2021
Consolidated NPLs	92,536	104,036
Percent of total outstanding credit, including that of financial institutions	3.19	3.76
KBank NPLs	88,047	101,200
Percent of total outstanding credit, including that of financial institutions	3.19	3.81

Properties Foreclosed

As of December 31, 2022, our financial conglomerate's properties foreclosed had a net value of Baht 51,007 million, thus being 1.20 percent of total assets.

4.2 Financial Position

Assets and Liabilities Structure

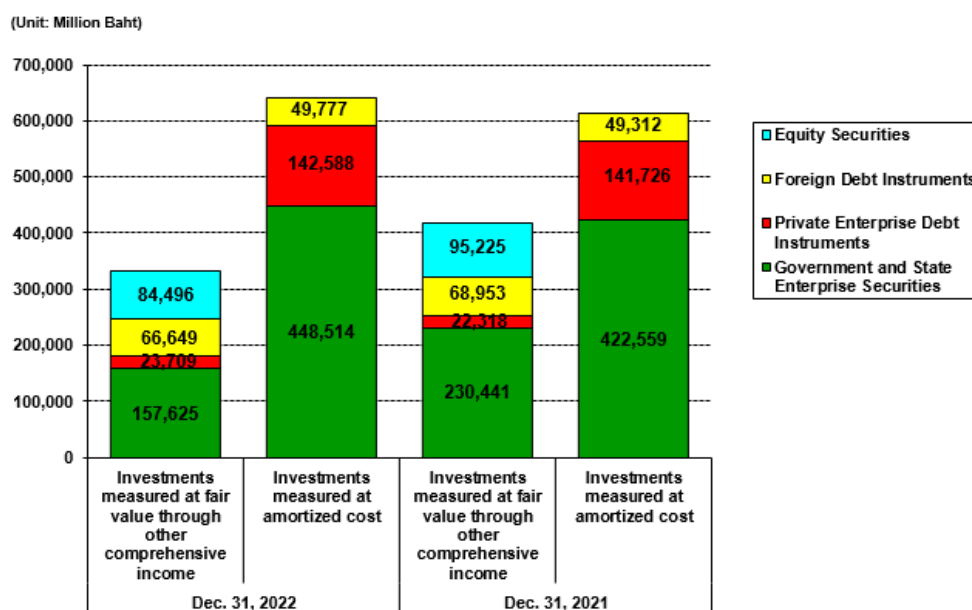


□ Assets

At the end of 2022, KBank's consolidated assets totaled Baht 4,246,369 million, increasing by Baht 142,970 million or 3.48 percent from the end of 2021. The rise was due mainly to increase in net interbank and money market items (assets) and loan to customers. Meanwhile, net investment decreased. Key details are as follows:

- Net interbank and money market items (assets) totaled Baht 502,536 million at the end of 2022, increasing by Baht 82,042 million or 19.51 percent from the end of 2021, due mainly to KBank's liquidity management.
- Loans to customers totaled Baht 2,495,077 million at the end of 2022, increasing by Baht 73,264 million or 3.03 percent from the end of 2021, due partly to an increase in loans in line with KBank's strategic directions.
- Net investment totaled Baht 973,358 million at the end of 2022, decreasing by Baht 57,176 million or 5.55 percent from the end of 2021, due mainly to sales of government bonds.

Investments in Securities



□ Liabilities and Equity

Our consolidated liabilities at the end of 2022 amounted to Baht 3,679,289 million, which rose by Baht 112,565 million or 3.16 percent from the end of 2021. The increase was mainly attributable to increased deposits. Meanwhile, debt issued and borrowings and interbank and money market items (liabilities) decreased. Significant changes in our consolidated liabilities included:

- Deposits at the end of 2022 equaled Baht 2,748,685 million, increasing by Baht 150,055 million or 5.77 percent from the end of 2021, due mainly to an increase in savings deposits.
- Debt issued and borrowings at the end of 2022 equaled Baht 67,897 million, decreasing by Baht 35,989 million or 34.64 percent from the end of 2021, mainly as a result of redemption of short-term debentures, unsubordinated and unsecured debentures, and early redemption of subordinated notes intended to qualify as Tier 2 capital.
- Interbank and money market items (liabilities) at the end of 2022 were Baht 155,240 million, a decrease of Baht 31,209 million or 16.74 percent from the end of 2021, due to KBank's liquidity management.

Equity (attributable to KBank) at the end of 2022 amounted to Baht 503,270 million, increasing by Baht 26,556 million or 5.57 percent from the end of 2021, derived mainly from KBank's net profit after deducting dividend payment in 2021.

□ Relationship between Sources and Uses of Funds

As of December 31, 2022, the funding structure as shown in the consolidated financial statement comprised Baht 3,679,289 million in liabilities and Baht 567,080 million in equity – of which Baht 503,270 million was equity (attributable to equity holders of the Bank), resulting in a debt-to-equity ratio of 7.31. As of December 31, 2022, the main source of funds on the liabilities side was deposits, which equaled Baht 2,748,685 million or 64.73 percent of the total sources of funds. Meanwhile, interbank and money market items as well as debt issued and borrowings accounted for 3.66 percent and 1.60 percent of the total source of funds, respectively.

KBank and Subsidiaries' Major Sources and Uses of Funds

(Unit: Million Baht)

Period	Deposits				Loans and accrued interest receivables ¹⁾			
	Dec. 31, 2022	Percent	Dec. 31, 2021	Percent	Dec. 31, 2022	Percent	Dec. 31, 2021	Percent
≤ 1 Year	2,721,860	99.02	2,581,587	99.34	1,078,144	42.93	980,901	40.23
> 1 – 5 Years	26,825	0.98	17,043	0.66	614,164	24.46	529,714	21.72
> 5 Years	-	-	-	-	818,995	32.61	927,797	38.05
Total	2,748,685	100.00	2,598,630	100.00	2,511,303	100.00	2,438,412	100.00

¹⁾ Including loan to customers and accrued interest and undue interest receivables

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

As of December 31, 2022, KBank and subsidiaries' major use of funds was loans to customers which amounted to Baht 2,495,077 million, resulting in loan-to-deposit ratio of 90.77 percent. As for the remaining liquidity, KBank invested in various selections of liquid assets, such as interbank and money market items, financial assets measured at fair value through profit or loss, and investments in securities.

Change in Cash Flows

As of 31 December 2022, the Bank and its subsidiaries' cash were Baht 57,115 million, decreasing by Baht 2,857 million from the end of previous year. Net cash provided by and used in activities can be summarized as follows:

- Net cash provided by operating activities were Bah 504 million which was derived mainly from Baht 106,893 million of operating profit before changes in operating assets and liabilities, and changes in significant operating assets and liabilities consisting of deposits that increased Baht 125,080 million, other liabilities that increased Baht 35,945 million and derivative liabilities that increased Baht 16,687 million, while interbank and money market items (liabilities) decreased Baht 37,361 million and short-

term debts issued and borrowings decreased Baht 11,896 million. Meanwhile, loans to customers increased Baht 157,211 million, interbank and money market items (assets) increased Baht 69,608 million, derivative assets increased Baht 26,975 million, other assets increased Baht 8,180 million, financial assets measured at fair value through profit or loss decreased Baht 14,135 million and properties foreclosed decreased Baht 12,752 million.

- Net cash provided by investing activities were Baht 25,777 million which was derived mainly from Baht 218,706 million of proceeds from disposal of investments measured at fair value through other comprehensive income and Baht 85,830 million of proceeds from redemption of investments measured at amortised cost, while there were Baht 149,194 million of purchase of investments measured at fair value through other comprehensive income, Baht 107,929 million of purchase of investments measured at amortised cost, Baht 6,684 million of purchase of investments in subsidiaries, Baht 5,153 million of purchase of premises and equipment, Baht 5,037 million of purchase of investments in associates and joint venture and Baht 4,799 million of purchase of intangible assets.
- Net cash used in financing activities were Baht 29,128 million which was derived mainly from Baht 21,504 million of repayment of long-term debts issued and borrowings, Baht 7,700 million of dividend paid to shareholders, while there was Baht 2,929 million of proceeds from long-term debts issued and borrowings.

Contingent Liabilities and Commitments

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

(Unit : Million Baht)

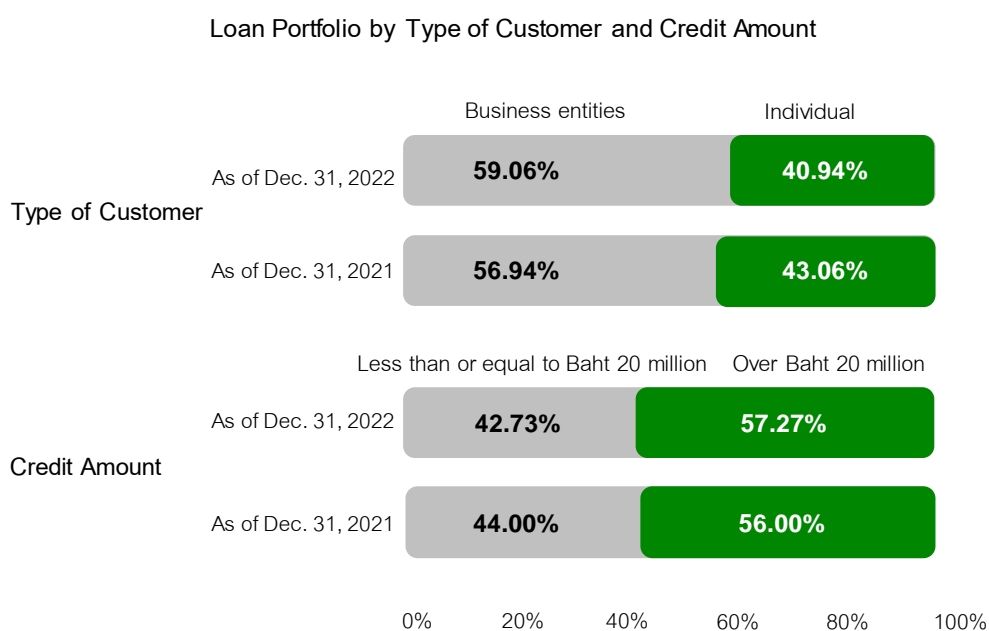
	Dec. 31, 2022	Dec. 31, 2021
Avals to bills and guarantees of loans	18,431	29,263
Liability under unmatured import bills	47,898	42,952
Letters of credit	38,491	36,469
Other contingencies	744,206	741,818
Total	849,026	850,502

4.3 Loans and Deposits

Loans

As of December 31, 2022, financial conglomerate's outstanding loans stood at Baht 2,495,077 million, increasing by Baht 73,264 million, or 3.03 percent, compared to Baht 2,421,813 million as of December 31, 2021.

As of December 31, 2022, the majority, 59.06 percent of KBank's outstanding loans were made to juristic persons or registered businesses. Loan accounts exceeding Baht 20 million accounted for 57.27 percent of the total.



Loans Classified by Business

(Unit: Million Baht)

	Dec. 31, 2022		Dec. 31, 2021	
	Corporate Business ¹⁾	Retail Business ²⁾	Corporate Business ¹⁾	Retail Business ²⁾
Loans	1,660,279	702,856	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, letters 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.

Corporate Business Loans

As of the end of 2022, our corporate business loans (Corporate and SME customers) had increased by 50,868 Baht million or 3.16 percent from the end of 2021.

Loans to corporate customers showed satisfactory growth in in short-term and long-term loans for financial institutions, commerce, consumer products, food and beverages, and chemicals industries. Meanwhile, loans to SME customers shrank slightly, due in part to debt disposal to an asset management company under joint venture agreement with KBank for debt management efficiency.

KBank continued to offer multiple products to fully meet customers' needs while also offering loan application service under our risk-adjusted pricing strategies via digital channel for enhanced customer convenience. We also used financial transaction data to assess customers' debt servicing ability. This method allowed customers with potential but having financial restrictions to gain improved access to funding sources.

Retail Business Loans

Our retail loans at the end of 2022 decreased by Baht 8,387 million or 1.18 percent compared to the end of 2021. The decrease came mainly from home loan, which decelerated in line with a decrease in new loans amid intense market competition. Meanwhile, credit card loan saw continual growth thanks to the self-application channel available via K PLUS and the use of data analytics for analyzing customer status across all dimensions. These efforts allowed KBank to offer appropriate loan products to customers, thus reaching out to a larger number of potential customers.

□ Deposits

Deposits Classified by Type of Deposit Account

(Unit: Million Baht)

	Percent of Total Deposits	Deposits		Change	
		Dec. 31, 2022	Dec. 31, 2021	Increase (Decrease)	Percent
Total Deposits	100.00	2,748,685	2,598,630	150,055	5.77
Current accounts	5.76	158,343	161,303	(2,960)	(1.84)
Savings accounts	75.83	2,084,414	1,960,581	123,833	6.32
Fixed-term deposit accounts	18.41	505,928	476,746	29,182	6.12

Competition in the deposit market in 2022 remained limited in continuation from last year as commercial banks focused on liquidity management to be in line with loan growth. Meanwhile, the policy rate was raised from 0.50 percent as of the end of 2021 to 1.25 percent at the end of 2022, and is set to increase further in 2023.

KBank prioritized the maintenance of liquidity at appropriate levels in order to accommodate loan growth. Along with this, we focused on efficient deposit cost management in order to remain competitive in the market while ensuring a balanced distribution of deposits in each customer segment. These endeavors were in alignment with the strategies of a Bank of Sustainability and Customer Centricity.

In 2022, KBank introduced special fixed deposit products offering competitive interest rates during appropriate periods to provide an option for our customers while also serving as a fundraising tool for our liquidity management. To promote the opening of K-eSavings, we launched various promotional activities, including the launch of a PR booth in areas of target customers and alliance organizations. We offered the service for opening of K-eSavings and identity verification as well as linkage of account to the application which is the alliance organization's platform. We also teamed with our partner which serves as Banking Agent in arranging a campaign such as e-coupon for customers who open K-eSavings account and verify their identity at our banking agents.

KBank has put in place a risk prevention system to combat fraudsters' fake account opening using a stolen or fabricated identity to conceal their illegally obtained funds. Customers are required to take a selfie and process identity authentication via facial recognition technology prior to opening a K-eSavings account. Moreover, KBank recognizes the significance of the process improvement. To this end, customers can contact KBank to receive the deposit inheritance, and the funds will be transferred to the deposit account provided to KBank, with the funds transfer result notification sent via SMS.

4.4 Treasury Operations

During 2022, average overnight interbank lending rates stood at 0.65 percent per annum, higher than the average rate of 0.44 percent per annum in 2021, in line with the resolutions from the Monetary Policy Committee (MPC) meetings, wherein there were three policy rate increases of 0.25 percent per annum each, from 0.50 percent per annum at the end of 2021 to 1.25 percent per annum at the end of 2022.

KBank's guideline for its investment portfolio is to prioritize the maintenance of liquidity in order to accommodate any future change in business conditions. In addition, an investment strategy was established in line with changes in economic conditions, as well as the movements of money and capital markets both at home and abroad. In 2022, the US Federal Reserve raised its policy rate seven times to a range of 4.25-4.50 percent at the end of 2022, compared to the range of 0.00-0.25 percent at the end of 2021. This move triggered volatility and put pressure on interest rates in the US Dollar-dominated bond market and elsewhere, including Thai bonds. KBank therefore aligned investment strategy of bond portfolio to be consistent with the rising rate environment by reducing overall portfolio duration, to limit impact from market volatility and higher interest rates.

Treasury Operations Income

(Unit: Million Baht)

Income Structure of Treasury Operations (Banking Book)	Percent of Total Income	2022	2021	Change	
				Increase (Decrease)	Percent
Interest Income¹⁾					
Interbank and money market items ²⁾	32.73	2,751	1,873	878	46.88
Investments	67.27	5,653	4,967	686	13.81
Total	100.00	8,404	6,840	1,564	22.87

Note: ¹⁾ Managerial figures

²⁾ Including loans

Total interest income in 2022 stood at Baht 8,404 million, increasing by Baht 1,564 million or 22.87 percent from the previous year, due mainly to the rising market rates in line with the policy rate.

□ Liquid Asset Ratio

KBank maintains average fortnightly current deposits at not less than 1.00 percent of total deposits and certain types of borrowings in accordance with the Bank of Thailand's regulations. As of December 31, 2022, our deposits at the Bank of Thailand and cash at cash center averaged Baht 27,735 million.

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

Operating Performance of K Companies¹⁾ and Muang Thai Life Assurance PCL

(Unit: Million Baht)

	Performance Measurement	2022	2021	2020
KASIKORN ASSET MANAGEMENT CO., LTD. (KAsset)	Assets under Management	1,489,097	1,575,362	1,477,369
	Market Share (Percent)	18.10	18.00	17.84
KASIKORN SECURITIES PCL (KSecurities)	Trading Volume	1,021,116	1,517,385	1,119,047
	Market Share (Percent)	3.00	3.70	3.75
KASIKORN LEASING CO., LTD. (KLeasing)	Outstanding Loans	137,366	121,166	114,895
KASIKORN FACTORY AND EQUIPMENT CO., LTD. (KF&E)	Outstanding Loans	24,314	25,149	25,106
Muang Thai Life Assurance PCL (MTL)	Net Premiums Earned	61,831 ²⁾	72,977	75,327
	Market Share (Percent)	11.46 ²⁾	11.88	12.55

Note: ¹⁾ KResearch is not included, since this company does not engage in financial business.

²⁾ Data during the first 11 months of 2022

During 2022, K Companies and Muang Thai Life Assurance PCL (MTL) attained satisfactory qualitative and quantitative operating performance. This achievement was attributable to the close cooperation between KBank and K Companies, as well as MTL.

KASIKORN ASSET MANAGEMENT CO., LTD. (KAsset): KAsset maintained the number-one position in the mutual fund business as gauged by assets under management in this category, with a market share of 21.85 percent as of the end of 2022. Total market share of assets under management (AUM) was 18.10 percent. This excellent performance was due in part to its synergy with KBank in developing multiple products to match the needs of all customer groups while enhancing their confidence.

In 2022, KAsset became a signatory to the Task Force on Climate-Related Financial Disclosures (TCFD) in alignment with its sustainable business strategies which account for environmental, social and governance issues. In 2021, the company also signed the United Nations-supported Principles for Responsible Investment (PRI). KAsset has applied ESG principles to management of funds across all asset classes (excluding passive funds) to maintain their performance in times of market volatility. KAsset also launched alternative funds with ESG strategies, namely K Climate Transition (K-CLIMATE), K Sustainable Fund (K-SUSTAIN), K Positive Change Equity Fund (K-CHANGE) and K Thai Equity CG RMF (KTHAICGRMF). The latter was approved by the Office of the Securities and Exchange Commission (SEC) to be the Sustainable and Responsible Investing Fund (SRI Fund) in 2022.

Meanwhile, KAsset worked with KBank in enhancing sales channel efficiency in compliance with the regulations of the Office of the Securities and Exchange Commission (SEC). Focus was on competency of fund sales officers and development of sales tools and digital channels that are easily accessible to customers. The company prioritized the provision of information and recommendations on investments via its website, online media, K PLUS and K-My Funds applications. Another notable initiative was the development of self-service for enhanced customer convenience and swift response time.

KASIKORN SECURITIES PCL (KSecurities): In 2022, the company held a market share of 3.00 percent with securities trading volume of more than Baht 1.02 trillion. It emphasizes the development of tools for customers' portfolio monitoring and management while also equipping investors with related knowledge via online channels. As a result, the company was able to deliver excellent products and services to customers, allowing them to gain access to investment-related information anytime anywhere.

KASIKORN LEASING CO., LTD. (KLeasing): In 2022, the company recorded an increase in profit for the second consecutive year. Its outstanding loan rose 13.37 percent over-year, in line with the recovery of domestic car sales following the government's relaxation of its COVID-19 control measures and Thailand's reopening to foreign tourists. In the new car market, the company garnered a market share of 5.00 percent in accordance with its target.

KLeasing has a policy to provide loans for all types of electric vehicles (xEVs), in line with the 'GO GREEN Together' project initiated by KBank. The company, in partnership with new EV manufacturers and

dealers, has offered corporate loans and retail loans to customers who want to buy electric cars. In addition, KLeasing aims to expand high-yield loans such as Car to Cash for the unbanked and underbanked groups with no need to submit proof of income. The company also offered car loan refinancing for its existing customers with fewer documents required, while also streamlining the loan application process to provide greater convenience and faster loan approval. For used car loans, the company fostered collaboration with online used car dealers while simplifying the loan application process to ensure faster service delivery.

KASIKORN FACTORY AND EQUIPMENT CO., LTD. (KF&E): The company provided equipment leasing service. In 2022, KF&E's outstanding equipment leasing was Baht 24,314 million. The company continually focused on the forging of alliances with machinery dealers while increasing equipment leasing service among new industries, including digital technologies, software and healthcare. Moreover, KF&E collaborated with KBank in offering 'green energy' loans for solar rooftops of factories and offices, and EV charging stations.

Muang Thai Life Assurance PCL (MTL): The company prioritized collaboration with KBank in developing multiple life and health insurance products focusing on personalization so as to provide increased coverage options to meet the needs of each individual customer. During the first 11 months of 2022, market share of the company's total premiums in bancassurance business was 17.01 percent, ranking 2 in the life insurance industry.

MTL insurance products that were jointly developed with KBank included life and health insurance plans like "Elite Health Plus", "D Health Plus", "Worry-Free Insurance" for customers seeking inpatient department (IPD) medical benefits, and "Care Plus" – a critical illness insurance offering medical expense coverage for cancer and chronic kidney failure in every stage. Other notable products were "Life Insurance Endowment 3/2", "Life Insurance Endowment 5/3", "Life Insurance Endowment 315 Participating (Global)", "Whole Life 99/1 Insurance (with annual cash benefit)", and "UNRP 615mGrow" – a unit-linked insurance plan. Focus is to provide varied coverage and benefit options for customers.

In addition, MTL has increasingly offered online sales via digital channels in order to accommodate changing lifestyles while giving customers easier access to life insurance products. Certain insurance plans were offered on K PLUS, i.e. "OnePlus 10/1" life insurance, and "Pay when Sick" – an affordable life and health insurance program (IPD+OPD), while "D Health Easy Care" life and health insurance was available on MTL's website. Moreover, MTL has further developed a digital face-to-face sales process and K Payment Link service which allows customers to make payment with enhanced convenience, security and verifiability in adherence to market conduct guidelines. Unit-Linked Portfolio Review has also been developed to equip our customers with useful information and knowledge on investment, while MTL Portfolio Management Service by professional fund managers is also offered to customers with unit-linked insurance policies. Additionally, insurance policy renewal notification and insurance premium payment services are available on K PLUS, while MTL Click – a self-service application – allows customers to conduct policy-related transactions by themselves.

4.6 Capital Requirements

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

As of the end of 2022, KASIKORNBANK FINANCIAL CONGLOMERATE, under the Basel III capital requirements, had capital funds of Baht 516,588 million, consisting of Baht 462,436 million in Tier-1 capital (Baht 435,662 million in Common Equity Tier-1 capital) and Baht 54,152 million in Tier-2 capital. The capital adequacy ratio was 18.81 percent, which was above the Bank of Thailand's minimum requirement and buffer requirement of 12.00 percent, while the Tier-1 capital ratio was 16.84 percent and Common Equity Tier-1 Ratio equal to 15.86 percent, which were above the BOT's minimum requirement and buffer requirement of 9.50 percent and 8.00 percent, respectively.

□ Overview of Capital Requirements

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

Capital requirements comprise two parts:

1. Minimum Capital Requirement: Total capital ratio of KBank and other companies within the Financial Conglomerate must be maintained at not less than 8.50 percent, comprising Common Equity Tier-1 ratio (CET1 ratio) and Tier-1 ratio at not less than 4.50 percent and 6.00 percent of total risk weighted asset, respectively.
2. Capital Buffer: The Bank of Thailand requires that conservation buffer be maintained, with CET1 ratio of more than 2.50 percent of total risk weighted asset in addition to minimum capital ratio. Domestic Systemically Important Banks (D-SIBs) are required to maintain the additional CET1 of 1.00 percent of total risk weighted assets. KBank's and the Conglomerate's capital levels are above regulatory requirements.

Capital Adequacy Ratio¹⁾

● KASIKORN FINANCIAL CONGLOMERATE²⁾

(Unit: Percent)

Capital Adequacy Ratio	Basel III					
	Minimum Requirements including Buffer Requirement ³⁾	Dec. 31, 2022	Sep. 30, 2022	Jun. 30, 2022	Mar. 31, 2022	Dec. 31, 2021
Tier 1 Capital Ratio	9.50	16.84	17.21	16.39	16.35	16.49
<i>Common Equity Tier 1 Ratio</i>	8.00	15.86	16.20	15.38	15.31	15.46
Tier 2 Capital Ratio	-	1.97	1.98	1.98	1.99	2.28
Capital Adequacy Ratio	12.00	18.81	19.19	18.37	18.34	18.77

● The Bank

(Unit: Percent)

Capital Adequacy Ratio	Basel III					
	Minimum Requirements including Buffer Requirement ³⁾	Dec. 31, 2022	Sep. 30, 2022	Jun. 30, 2022	Mar. 31, 2022	Dec. 31, 2021
Tier 1 Capital Ratio	9.50	15.96	16.14	15.26	15.33	15.42
<i>Common Equity Tier 1 Ratio</i>	8.00	14.93	15.08	14.20	14.24	14.32
Tier 2 Capital Ratio	-	2.06	2.08	2.08	2.11	2.41
Capital Adequacy Ratio	12.00	18.02	18.22	17.34	17.44	17.83

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 2.5 percent.

- Domestic Systemically Important Banks Buffer (D-SIBs Buffer): BOT required that KBank as a D-SIB maintain an additional Common Equity Tier 1 at 1.00 percent.

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

During 2022, we continued to implement Value-Based Management (VBM), which is a management practice comprising two main components, Corporate Value Creation and Corporate Governance. The VBM has been applied to business undertaking with the aim of achieving the highest value creation for shareholders over the long-term in accordance with our business strategies and goals. In achieving this objective, the Risk-Adjusted Return on Capital (RAROC) and Economic Profit (EP) – showing net profit after adjusting cost of capital – have been adopted as key measurements.

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

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

4.7 Credit Ratings

In 2022, the Bank’s credit ratings given by Standard & Poor’s and Moody’s Investors Service were downgraded, reflecting the increase in systemic risks of the banking industry in Thailand. However, the Bank’s credit ratings given by Fitch Ratings remained unchanged. Details are as follows:

- In March 2022, Standard & Poor’s downgraded the long-term ratings of four Thai banks, including KBank, as systemic risks of banks operating in Thailand were increasing. KBank’s long-term credit ratings were downgraded from BBB+ to BBB with stable outlook.
- In November 2022, Moody’s Investors Service downgraded the Baseline Credit Assessments (BCAs) of two Thai commercial banks, including KBank, from baa1 to baa2, reflecting the structural challenges to their asset quality and profitability that were exacerbated by Thailand’s slow economic recovery. Moody’s Investors Service also downgraded KBank’s foreign-currency subordinated debt rating from Baa3 to Ba1 and its foreign-currency non-cumulative preferred stock rating from Ba1 to Ba2.

Details of KBank’s credit ratings are shown in the following table:

KASIKORNBANK's Credit Ratings

Credit Ratings Agency	Dec. 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	Ba1	Baa3
- Non-Cumulative Preferred Stock	Ba2	Ba1
Short-term - Debt/Deposit	P-2	P-2
- Counterparty Risk	P-2	P-2
Baseline Credit Assessment	baa2	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⁾		
<u>International Credit Ratings (Foreign Currency)</u>		
Outlook	Stable	Stable
Long-term Issuer Default Rating	BBB	BBB
Short-term Issuer Default Rating	F2	F2
Senior Unsecured Notes	BBB	BBB
Viability	bbb	bbb
Subordinated Debt (Basel III-compliant Tier 2 securities)	BB+	BB+
Government Support	bbb	bbb
<u>National Credit Ratings</u>		
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. KASIKORNBANK's Investments in Subsidiaries and Associated Companies

□ Subsidiaries and Associated Companies

The definitions of subsidiaries and associated companies are in alignment with those specified in the Thai Financial Reporting Standards, which KBank discloses in the Notes to the Financial Statements.

□ Investment Policy

Our investment policy can be summarized as:

- **Strategic Investments**

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

- **Outsourcing Investments**

KBank invests in companies that support our operations. These are companies providing services in place of KBank units that are not our core business and would be relatively inflexible under KBank's operation. Our executives are appointed as directors of these companies to oversee their management and operating policies. These directors are assigned to maintain control over such firms' operations, which helps to ensure that their undertakings are in accordance with standardized service quality and maximized efficiency, and are thus of benefit to KBank.

In 2022, KBank expanded its investment in the following companies which are part of KASIKORNBANK FINANCIAL CONGLOMERATE:

1. **JK Asset Management CO., LTD.:** KASIKORN VISION CO., LTD. holds 50 percent of shares in this company, which engages in management of non-performing assets of financial institutions. Its registered capital totaled Baht 10 billion.
2. **KBTG VIETNAM CO., LTD.:** A wholly owned subsidiary of KASIKORN VISION CO., LTD. with registered capital of VND 170,000 million, the company operates business in the Socialist Republic of Vietnam to provide IT-related support to KASIKORNBANK FINANCIAL CONGLOMERATE.
3. **KASIKORN CARABAO CO., LTD.:** KASIKORN VISION CO., LTD. holds 50 percent of shares in the company with registered capital of Baht 100 million to operate retail loan business.
4. **KASIKORN VISION ANALYTICS CO., LTD.:** A wholly owned subsidiary of KASIKORN VISION CO., LTD. with registered capital of VND 22,870 million, the company operates business in the Socialist Republic of Vietnam to provide support to KBank's business operation in this country.

5. Turbo Co., Ltd.: KASIKORN VISION CO., LTD. holds 9.99 percent of shares in this company with registered capital of Baht 1,111.11 million to engage in loan service business.

Disclaimer

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

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

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