



Management Discussion and Analysis (MD&A)

For the Year Ending December 31, 2023

ธนาคารกสิกรไทย
开泰银行 KASIKORNBANK



บริการทุกระดับประทับใจ

Executive Summary of Management Discussion and Analysis

For the Year Ending December 31, 2023

In 2023, the Thai economy continued to grow in an uneven manner (K-shaped Recovery), driven mainly by a recovery in the tourism sector. Meanwhile, other economic activities remained pressured by a slowing global economy, rising production costs, financial costs, household debt burdens and living expenses. In addition, global financial markets faced volatility during the course of the year but rebounded somewhat by year-end after markets observed that the US policy rate had already reached its peak. As for the 2024 outlook, though the Thai economy may see improved growth, it is likely to be challenged by a global economic slowdown, especially amid China's economic uncertainties prompted by fragility in its financial and property sectors. Domestic factors, including the government's stimulus measures, should also be closely watched. 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 asset quality management, with a focus on sustainable customer assistance measures throughout the credit underwriting process, especially for our customers affected by the uneven economic recovery who had yet to see a turnaround. Along with this, we gave them assistance and support to ensure their continual growth in order to benefit from upcoming business opportunities. We leveraged financial innovations 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 2023 of Baht 42,405 million, an increase of Baht 6,635 million or 18.55 percent from the previous year, due to the low base effect and the gradual economic recovery seen in certain areas. However, KBank continued to set aside expected credit loss (ECL) at a high level of Baht 51,840 million, almost on par with the previous year, in alignment with the consistently careful approach of bolstering the Bank's strength to cope with highly uncertain economic factors that may persist. These efforts aimed to aid our customers with increased capabilities in their business operations while also enhancing flexibility in our asset quality management. As of December 31, 2023, KBank's coverage ratio stood at 152.23 percent.

Operating profit before expected credit loss and income tax expense for 2023 stood at Baht 107,685 million, an increase of Baht 9,181 million or 9.32 percent compared to the previous year. The increase came mainly from net interest income of Baht 148,444 million, rising by Baht 15,446 million or 11.61 percent over year

despite slightly slowing loan growth compared to last year. KBank focused on effective asset quality management and improvement of the credit underwriting process for new loans for enhanced efficiency. Therefore, our net interest margin (NIM) stood at 3.66 percent.

Non-interest income totaled Baht 44,209 million, an increase of Baht 3,950 million or 9.81 percent compared to the previous year, derived mainly from gains on investment in financial instruments through our investment diversification policy in global assets, together with rising revenue from trading and foreign exchange transactions in line with higher business volume, which was consistent with the partial recovery of the tourism sector. Meanwhile, net premiums earned – net decreased in line with market conditions and a decline in net fees and service income due mainly to decreased brokerage fees and fees from money transfer.

Other operating expenses totaled Baht 84,968 million, an increase of Baht 10,215 million or 13.67 percent over year, mainly from increased operating expenses in line with rising business volume and operating income. These included customer service expenses, marketing expenses and IT-related expenses. In addition, employee expenses increased, partly driven by one-time expenses after the implementation of cost-of-living subsidy measures at the beginning of the year. As a result, cost to income ratio stood at 44.10 percent, slightly increasing from 43.15 percent in the previous year.

With regard to our capital position, capital adequacy ratio (CAR) of KASIKORNBANK FINANCIAL CONGLOMERATE according to the Basel III Accord was 19.41 percent, with a Tier 1 capital ratio of 17.44 percent and Common Equity Tier 1 Ratio of 16.47 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 atop the mutual fund business. Meanwhile, KASIKORN SECURITIES PCL focused on the development of services via digital channels 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 the expansion of equipment leasing for new industries and the 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 the bancassurance business ranked second in the life insurance industry.

The 2023 operating performance of KBank and K Companies thus met our business targets as expected in line with the economic conditions. All of 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 an awareness of the persistent economic uncertainty. Along with this, we have plans in place to

cope with any potential impacts upon our business while also supporting our customers 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 2023 and Outlook for 2024

The global economy continued its trend of weaker growth in 2023, led by advanced economies which grew at a slower pace, except for the US economy. The slowdown was in part attributed to impacts of policy rate hikes by central banks to bring inflation down to their target levels. The International Monetary Fund (IMF)'s January 2024 World Economic Outlook indicates that the global economy may have grown at 3.1 percent in 2023, compared to 3.5 percent in 2022. For 2024, the world economy is likely to be challenged by many factors that could limit the economic growth rate at around 3.1 percent, the same rate as in 2023. The US economy could be impacted by persistently high policy rates, while the China's economy could be pressured by fragility in its financial sector and property market. However, if inflation shows signs of having reached its target levels, several central banks may gradually relax monetary policy by cutting interest rates.

Overall, the Thai economy for 2023 continued to see an uneven or "K-shaped" recovery. The tourism sector saw improvement while other economic activities remained under pressure from rising production costs, debt burdens, and household living expenses. Meanwhile, the global economic slowdown continued to have adverse impacts, leading to a decline in the country's exports and industrial production. Regarding the Bank of Thailand's monetary policy direction, the Monetary Policy Committee (MPC) gradually raised its policy rate to 2.50 percent as per the resolutions from its September 2023 meeting. The MPC views that the interest rate at this level is appropriate for supporting long-term sustainable growth.

Looking into 2024, close attention must be paid to the country's inflation and economic outlook. While the Thai economy is expected to see improving growth, compared to its lackluster recovery in 2023, there are numerous challenges in sustaining the momentum of economic expansion throughout the year. These include the sluggish global economy, prolonged geopolitical tensions, as well as domestic factors, especially issues related to the government's economic stimulus measures and fiscal stability.

1.2 Banking Industry

The overall performance of domestically registered commercial banks in 2023 recorded higher net profit compared to 2022. The improvement came mainly from an increase in net interest income amid rising interest rates at home in line with the Thai policy rate. Net interest margin (NIM) gradually rose, especially from the second quarter of 2023 to the year-end, though it decreased in the first quarter due to rising financial costs, following an increase in the rate of contribution to the Financial Institutions Development Fund to the normal level. In addition, operating income was bolstered by an increase in other incomes, especially gain on financial instruments measured at fair value through profit or loss. However, non-interest income – particularly net fees and service income – continued to fall. Meanwhile, commercial banks set aside higher expected credit loss in order to cope with persistent economic uncertainties. Regarding asset quality, non-performing loans to total loans (NPL Ratio) declined due to proactive NPL management and acceleration of customers' debt restructuring.

As of December 31, 2023, outstanding loans to customers and accrued interest receivables - net at 17 domestically registered commercial banks totaled Baht 13.901 trillion, rising by 0.18 percent from the end of 2022. Meanwhile, outstanding deposits totaled Baht 15.904 trillion, an increase of 0.27 percent compared to the end of 2022. KBank ranked second in loans to customers and accrued interest receivables - net in the commercial banking system, with a market share of 15.45 percent; it also ranked second in deposits, with a market share of 15.80 percent, and ranked third in assets, with a market share of 14.86 percent.

Looking ahead into 2024, even though the overall economy is set to gain traction, businesses may see an uneven recovery amid global economic risks that merit close watch. Loans are expected to enjoy growth thanks to the ongoing revival in economic activity. However, commercial banks are expected to maintain a cautious stance in their business operations. They must prepare to deal with the challenges of giving customers assistance and asset quality management while also expediting their adjustment to the responsible lending guidelines that took effect on January 1, 2024.

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	3,930,606	16.44	2,699,888	15.97	2,067,703	14.22
Krung Thai Bank	3,580,686	14.98	2,654,751	15.70	2,336,712	16.07
KASIKORNBANK	3,551,348	14.86	2,671,734	15.80	2,246,758	15.45
Siam Commercial Bank	3,280,416	13.72	2,452,078	14.50	2,203,055	15.15
Bank of Ayudhya	2,524,871	10.56	1,815,719	10.74	1,701,805	11.70
TMB Thanachart Bank	1,815,190	7.59	1,387,961	8.21	1,270,224	8.73
United Overseas Bank	867,161	3.63	678,875	4.02	600,803	4.13
Kiatnakin Phatra Bank	529,630	2.22	359,517	2.13	386,610	2.66
CIMB Thai	505,401	2.11	257,710	1.52	236,437	1.63
Land and Houses Bank	316,339	1.32	251,453	1.49	226,668	1.56
TISCO Bank	275,104	1.15	210,730	1.25	220,495	1.52
ICBC (Thai)	224,798	0.94	153,606	0.91	101,378	0.70
Standard Chartered Bank (Thai)	174,781	0.73	94,780	0.56	23,616	0.16
Thai Credit Retail Bank	163,795	0.69	117,017	0.69	140,181	0.96
Sumitomo Mitsui Trust Bank (Thai)	119,457	0.50	24,784	0.15	78,675	0.54
Bank of China (Thai)	68,878	0.29	52,245	0.31	34,775	0.24
Mega International	39,376	0.16	21,545	0.13	25,264	0.17
Domestically-Registered						
Commercial Banks	21,967,837	91.89	15,904,392	94.08	13,901,157	95.58
Foreign Bank Branches	1,937,738	8.11	1,000,968	5.92	642,240	4.42
All Commercial Banks	23,905,576	100.00	16,905,360	100.00	14,543,398	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 KBank's and K Companies' business operations included:

- **Rules to be Complied with by Asset Management Companies**

The Bank of Thailand revised additional rules for supervising asset management companies by issuing BOT Notification No.SorNorSor. 11/2566 Re: Rules to be Complied with by Asset Management Companies (AMCs), dated October 27, 2023, effective November 14, 2023. Major points of the revision are as follows:

1. Revising rules on governance and internal control of asset management companies:
 - Directors and persons with managing authority must adhere to good governance practices. Prohibited characteristics of directors and persons with managing authority were added. In the event that directors and persons with managing authority in an asset management company registered before the issuance of this Notification possess said prohibited characteristics, approval must be sought from the Bank of Thailand to ensure their compliance within 180 days of the effective date of this Notification.
 - Asset management companies must have a robust risk management framework and efficient internal control with a check-and-balance and independent management structure in order to control, supervise and audit operations under the Three Lines of Defense principle to ensure operational efficiency in alignment with the overall nature and risk profile of the business while guarding against both fraud within the organization and collaboration for self-serving benefits within a group.
2. Revising criteria for holding of foreclosed properties to ensure enhanced efficiency in management
3. Revising rules for asset management business operations to ensure greater clarity and reduced burdens of unnecessary operations

- **Rules for Responsible Lending**

The Bank of Thailand upgraded its circular Re: Fair Lending Guidelines to Notification BOT. No. SorKorChor. 7/2566 Re: Regulations on Responsible Lending, dated December 21, 2023. This Notification serves as key guidelines to address the household debt overhang which contributes to Thailand's structural problems, coming into effect on January 1, 2024.

Major points of the responsible lending guidelines focus on promoting appropriate roles and responsibilities of service providers throughout the debt journey, from the development of products and services to management of persistent debts, prioritized by customers' interests, along with provision of behavior data to

¹ Additional details on Significant Regulations and Rules related to Business Operations for 2023 can be obtained from Management Discussion and Analysis for the first, second and third quarter of 2023.

encourage borrowers to develop good financial discipline. The following are the eight key principles that cover the lending process throughout the debt journey:

1. Development of loan products: They must be appropriate for customers with fair terms/contracts.
2. Advertisement: Images and messages must not encourage excessive indebtedness, while a process to review advertising media must be in place before they are launched.
3. Sales offering: Complete information must be provided for thorough consideration, ensuring that it does not promote excessive indebtedness.
4. Affordability: Focus must be on customers' debt servicing ability and having sufficient income for living.
5. Promotion of financial discipline: Borrowers must be equipped with financial management knowledge and encouraged to foster good financial discipline.
6. Assistance for debtors with persistent debts: Notification process and guidance for debt settlement must be in place for debtors who have been paying interest in excess of their principal for more than 3-5 years.
7. Assistance for debtors with debt payment problems: Both preemptive debt restructuring and troubled debt restructuring should be prioritized to provide proper assistance to debtors before the litigation process is initiated.
8. Litigation and debt transfer to other creditors: Debtors must be fully informed of their rights and other important information.

- **Regulations on Information Technology Risk Supervision**

The Bank of Thailand issued BOT Notification No. SorKorChor. 5/2566 Re: Regulations on Information Technology Risk Supervision of Financial Institutions and Specialized Financial Institutions, effective October 31, 2023. This Notification aims to strengthen information technology risk management of banks while minimizing risks and impacts on service providers, customers, the general public and the overall financial institution system. Major points of this Notification can be summarized as follows:

1. Banks must ensure that the operational systems that support mobile banking channels can provide continuous services with no disruption more than 8 hours in a calendar year. Additionally, system recovery must be undertaken immediately to ensure quick service resumption.
2. Banks are required to report IT Risk Self-Assessment results within 30 days of the end of the relevant calendar year per the formats and channels as specified by the Bank of Thailand.

- **Rules for the Calculation of Counterparty Credit Risk-Weighted Assets for Derivative Transactions**

The Bank of Thailand revised rules for the Calculation of Counterparty Credit Risk-Weighted Assets for Derivative Transactions by issuing BOT Notification No. SorNorSor. 9/2566 Re: Regulation on the Calculation of Counterparty Credit Risk-Weighted Assets for Derivative Transactions dated September 19, 2023, effective July 1, 2024. This notification aims to ensure that commercial banks and financial business groups have adequate capital to accommodate credit risk of counterparties for derivative transactions. The revised regulation requires that commercial banks and financial business groups calculate counterparty credit risk-weighted assets to accommodate credit valuation adjustment risk (CVA risk) in addition to default risk for derivative positions with both domestic and overseas financial institutions counterparties.

2. Risk Management and Risk Factors²

2.1 Overall Risk Management

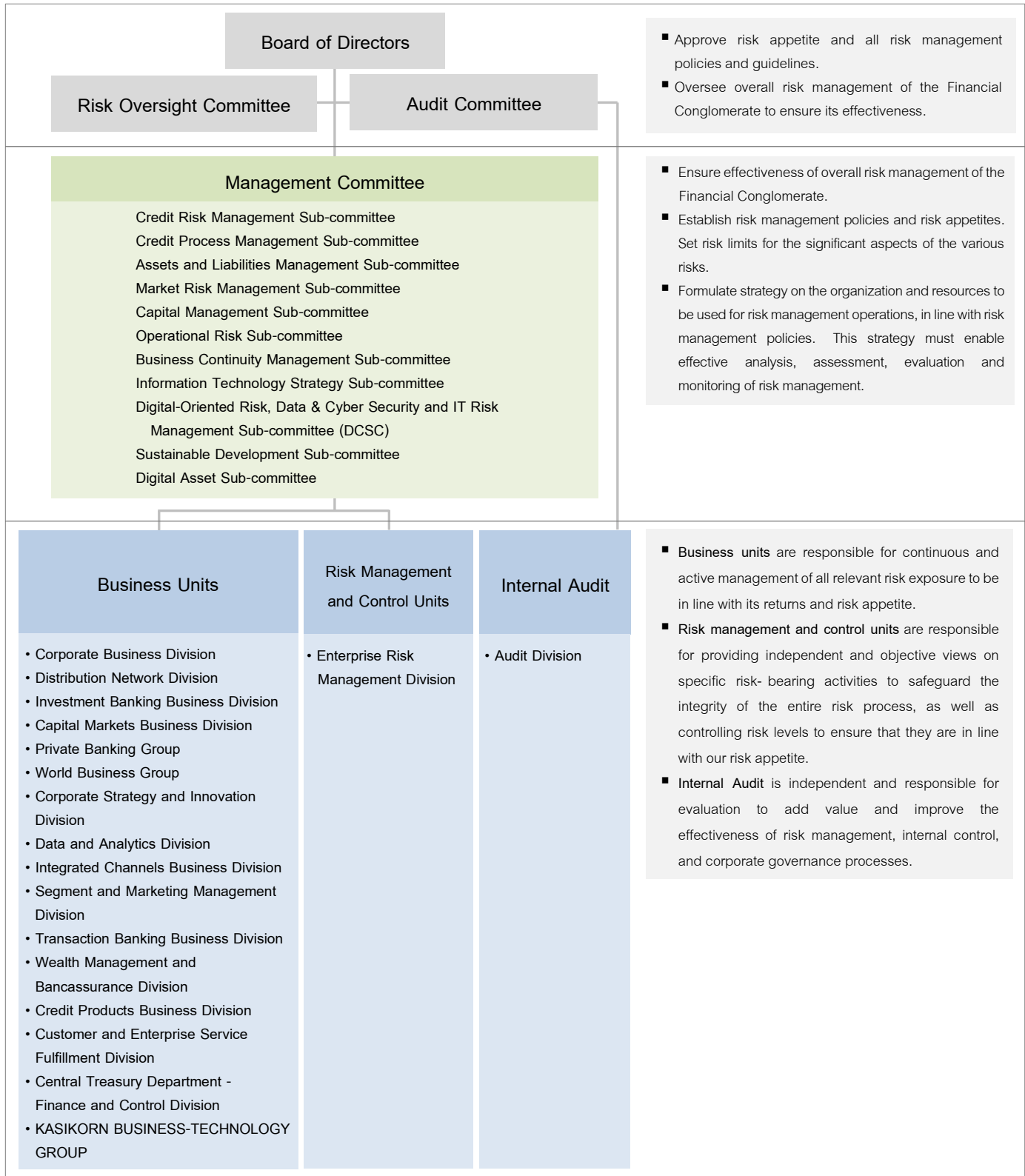
Risk management is an integral part of our organizational culture. We have established risk management policy and risk appetite, and risk management has been taken into account when formulating our strategies and business undertakings to support business growth. This is to ensure long-term sustainable returns to stakeholders.

KBank's risk management strategy has been established in line with international guidelines and principles, and applied throughout the Financial 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 unit tasked with risk oversight and control, 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 2023.

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:

- **Enhanced subsidiary risk governance framework** to be in line with KBank's business expansion and the Bank of Thailand's revised regulations on corporate governance and internal control mechanisms of KBank and the Financial Conglomerate. Significant companies within the Financial Conglomerate are required to have in place a proper risk management, compliance and internal audit functions, and report its performance and significant risk /issues to the Bank.
- **Strengthened risk management guidelines by learning lessons from banking crises in other countries:** Overall, KBank does not have the same risk profile as that of those troubled banks. However, the Bank used the lessons learnt as case studies for improvement of preventive guidelines for risk monitoring and management to ensure that our bank crisis management is undertaken more efficiently, swiftly and comprehensively in alignment with the prevailing behaviors of financial service users.
- **Strengthening management of financial fraud risks** in order to foster customer confidence and security in using our financial services in the face of the increasing risk of fraudulent activities targeting customers and the general public via digital channels. KBank enhanced security measures, from prevention to detection and monitoring of suspicious accounts and transactions, as well as response to and handling of fraud incidents. This is in line with the Bank of Thailand's Policy Guidelines on Management of Financial Transaction-related Frauds. Notable efforts included upgrade of security measures for the Bank's mobile application, implementation of a remote access prevention system, facial scan for high-value transactions, and setting of guidelines for using the Bank's links and QR codes. We also focused on continual enhancement of fraud management and intelligent systems through the use of data analytics for increased efficiency in fraud detection in various forms for a broader coverage. Additionally, we have disseminated knowledge on digital scams, issued alerts for potential threats to our customers and the general public, and provided guidance on fraud prevention through the cyber awareness campaign.

Moreover, we continued to focus on the development of risk management in various aspects 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 volatility triggered by geopolitical conflicts and global economic slowdown, and the 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 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 global economic slowdown:** We have employed customer transaction data for risk analysis and assessment. Customers have been classified by impacts and their debt servicing abilities, which has allowed us to provide them appropriate relief measures, ensuring that KBank can maintain sustainable growth within risk appetite under normal and stress scenarios.
- **Continuous upgrade of information security management to meet global standards:** KBank's information security management system was awarded ISO 27001:2013 certification for the 10th consecutive year. The system covers key services and systems, the data center and the 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 and the acquiring system – EDC service in the Socialist Republic of Vietnam. KBank also obtained PCI PIN Security V3.1 for the security system for card use at ATMs.
- **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' efficiency has been improved. Along with this, we enhanced the system, control measures and relevant infrastructure to comply 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 cyber threats** to companies within the Financial Conglomerate and international branch network in alignment with our strategy of regional business expansion: Measures included advanced threat prevention, e.g., enhancement of capability of various cyber security solutions to prevent zero-day attacks, proactive threat detection, e.g., increasing 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 parties, 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 preceding and continuing throughout its business relationships. Tools were used for business partner and third-party risk assessment during the onboarding process, while monitoring continued until the end of business cooperation to ensure ongoing surveillance. We also alerted them in case we detected significant irregularities related to cyber threats. All these actions were taken to ensure that we conducted risk management of service, system interface, and data access of third parties appropriately, in line with related regulations.
- **Continual enhancement of market conduct management** accounting for customers' demand, financial status and understanding. To this end, we have in place clearly defined processes in providing information on products and services to our customers as well as after-sale or service monitoring processes 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.

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's business operations, to ensure sustainable growth in alignment with KBank's strategy.

In 2023, KBank focused on customer service and credit risk management for every customer segment to ensure that risk levels remained under risk appetite. Amid global economic risks, Thailand's economy saw only an uneven recovery, beset by soaring financial costs in line with hikes in policy rates of major central banks, slower-than-expected global trade and persistent geopolitical conflicts. As a consequence, it may take a while for certain businesses and households to restore their income, especially amid elevated funding costs in line with an upward interest rate trend at home. KBank thus focused more on stringent customer screening criteria,

monitoring of their compliance with contractual terms and conditions while prioritizing sustainable assistance measures, particularly for small and micro businesses as well as retail customers. Moreover, we aimed to acquire customers with stronger financial status and sound debt servicing ability.

Meanwhile, KBank has the policy to integrate climate-related risk into our credit underwriting process and use it as one of the components in assessing impacts on the Bank's credit portfolio, as it may affect customers' credit risk. Their business operations may be affected by climate-related risk, comprising physical risk and transition risk.

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, products 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 responsible lending. KBank focused on increasing opportunities for customers to access loans appropriately in alignment with responsible lending principles, accounting for their affordability in order to avoid overleveraged situations. These efforts aim to ensure that our customers still have sufficient income for living after monthly installments are made. We also took into account the government's policy adjustment and the plan that focuses on the United Nations Sustainable Development Goals (UN SDGs), including how to cope with the impacts that climate change may have on business operations in terms of risk and business opportunity across different dimensions.

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 global economic slowdown 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, products 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, prioritizing high greenhouse gas emission in portfolio and/or those with a high emission density. These efforts aim to control 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 credit proposal presentations to ensure appropriate 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 underwriting and 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. When it comes to approval of unsecured loan, we set the maximum credit limit and loan term for the next loan application 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 developed policies and Sector-Specific Guidelines for assessment of each industry's operations which may have environmental and social impacts. 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 large 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.

- **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. Alternative data is used to support credit limit renewals and credit quality monitoring, thus achieving greater efficiency.

Regarding debt collection from large business customers, KBank has developed tools and processes as well as established indicators to assess each customer's credit status closely 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 packages to assist those affected by economic conditions while also establishing collection strategies to better respond to the varied risk levels of different customer groups. We focused on swift and efficient management of recovery and collection. In addition, we considered 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 data collection, 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 external factors in various forms, including changes in interest rates, 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. This framework encompasses the 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 2023, global inflation remained elevated, prompting many central banks to continue tightening monetary policy by steadily raising interest rates. The US Federal Reserve increased its policy rate to 5.25-5.50 percent p.a. at the end of 2023 from 4.25-4.50 percent at the end of 2022, and it may be kept high in an effort to bring inflation back to the targeted range. Meanwhile, the Thai policy rate was raised from 1.25 percent at year-end 2022 to 2.50 percent at the end of 2023. Interest rate differentials between Thailand and other countries, the anemic Thai economic recovery and rising fiscal deficits led to capital outflows from the Thai bond and stock markets. This in turn weakened the Thai Baht, which softened to Baht 37 per USD.

Given the interest rate hikes in many countries to tame inflation, the global economy is poised to see a slowdown. Even worse, certain major economies may lapse into a recession. Under these circumstances, the Thai economy will feel impacts both directly and indirectly. In early 2023, several banks in the US and Europe witnessed liquidity crises, following the closure of banks due to its liquidity crunch and a subsequent bank run. This debacle stemmed partly from improper market risk management. KBank thus conducted analyses to learn from this event and strengthened our market risk management practices for enhanced efficiency in risk monitoring and management.

To effectively cope with uncertainties in economic and political situations both at home and abroad amid rapidly changing capital movements, KBank is closely monitoring the surrounding circumstances while continuously analyzing and assessing possible impacts with a focus on efficient and effective risk management processes in order to maintain risk within specified, prudent limits. In detail:

- **Market Risk in Trading Book Activities**

KBank's trading activities are exposed to risks of interest rate, foreign exchange, equity and credit spreads. Meanwhile, 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. We have 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 for financial position management, ensuring that it 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.

KBank continues to closely monitor movements of interest rates and customers' behaviors which are used for financial position management to ensure the highest effectiveness in risk management. KBank used interest rate risk gap to continually monitor interest rate risk in the banking book activities through evaluation of 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, 2023
	+100 bps
THB	3,343
USD	187
CNY	(231)
Other Foreign Currencies	(130)
Total Effect of Interest Rate Change	3,169
% of expected Net Interest Income (NII) in the next 1 year	2.55

➤ **Equity Risk in Banking Book Activities**

KBank is exposed to equity risk from investment in equities, both directly and indirectly via funds. We have complied with regulations and procedures of relevant government agencies under the established risk framework while conducting data analyses and close assessments of relevant events to ensure the maximum benefit of KBank.

➤ **Foreign Exchange Risk in Banking Book Activities**

KBank is exposed to foreign exchange risk that may be 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.

□ **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.

In 2023, liquidity in the overall banking system remained sufficient to accommodate demand for business operations. However, KBank is aware that liquidity status and management guidelines may vary from bank to bank, which may affect liquidity management at any given period. Therefore, we have been prepared by adopting tools for proper liquidity management in terms of both foreign currencies and Thai Baht to protect ourselves against any potential liquidity shortage. KBank has in place a process for efficiently monitoring liquidity risk in light of situations that may incur risk indirectly. Moreover, we have adopted a Business Continuity Plan to guard against disruptions to essential operations and systems, allowing us to fulfill our obligations in the event of an emergency.

In early 2023, several banks in the US and Europe experienced a bank run caused by improper liquidity management. KBank closely monitored the situation and conducted analyses to learn from this event while also strengthening our liquidity risk management guidelines for enhanced efficiency.

To ensure sufficient liquidity for business operations, KBank regularly conducted liquidity risk assessment and analysis through liquidity gap analysis, covering both normal and crisis situations, under three scenarios, i.e., liquidity crises that are either bank-specific, market-wide, or both circumstances combined.

Meanwhile, KBank has also developed tools to continuously assess and analyze liquidity risk that conform to 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. These endeavors are undertaken by taking into account our business growth potential and capability to cope with volatility in the global economy and fast-changing financial markets. We also 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 a volatile global economy and financial markets, accounting for 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
- Uncertainties facing financial institutions
- 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 thus established the operational risk management policy and framework to enhance process efficiency through systematic risk management and control under the same standards to ensure the proactive implementation of preventive measures.

KBank focused on strengthening end-to-end operational risk management under prudent and efficient processes through enhancement of our capabilities in key operational risk management and control. These efforts aim to offer our customers fair services and treatment, responding to their needs under prudent and proper risk management. KBank has in place end-to-end product management throughout the product cycle to ensure continuity in business operations. Meanwhile, we focused on improvement of business partner and third-party risk management, system interface or access to data of customers or KBank. Along with this, we elevated risk-related functions for more integrated and effective operations while also enhancing market conduct management.

KBank put in place climate-related risk consideration process, Bank-wide. They encompass the identification, assessment and mitigation of related impacts on KBank's operations to ensure business continuity and protection of the lives and property of our customers, employees and other stakeholders. Our Bank-wide risk consideration process is undertaken 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 risk and transition risk, based on the megatrends and related rules and regulations.
2. Risk assessment: To assess the overall risks in three levels, i.e., high, medium and low, through assessment of risk impact, likelihood and effectiveness of control.
3. Risk management: KBank has in place proactive risk management, covering prevention of, monitoring of, and response to risks. Regarding high-level or significant risks, additional analyses are conducted for taking further preventive or corrective actions, or implementing additional 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, including customers, suppliers, investors and regulators, have negative perceptions of KBank, leading to their loss of confidence in the Bank. Such a situation could 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 business ethics, societal expectations, agreements or business service standards, or services which are not aligned with market conduct.

To ensure proper and efficient risk management processes, KBank has therefore formulated a reputational risk management policy and management guidelines to reduce risk to be within risk appetite. We have in place reputational risk monitoring and management processes for any circumstances that may cause reputational risks to ensure proper and timely risk management, prudently accounting for all major stakeholders and impacts that may have on every component.

Our reputational risk management focuses on responsiveness to all stakeholders, including customers, regulators, employees, business partners and suppliers, investors and credit rating agencies, the general public and media organizations.

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 through assessment of the prevailing risks and forecast of 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 is a factor that has substantial implications for KBank's business operations, in terms of both intensity and complexity. The development of payment systems under the new financial landscape in Thailand supports digital payment as the primary option accessible to all groups of users. Of note is the launch of a system interface service for connecting KBank's application with external organizations and individuals, as well as the development of increasingly complex financial products and services, such as digital asset-related transactions. Digital risk may thus arise from various channels, such as financial transaction services via digital channels, data management, cyber threats and the use of new information technology such as Generative AI. All of these risks may come from both internal and 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, and in accordance with the Bank of Thailand's policies and best practices.

Overall, digital risk management focuses on risk controls for prevention, detection, response, recovery and creation of a cyber hygiene culture covering KBank's key business processes and work systems. Major operations are carried out in four areas, namely governance, policies, processes and technology, as well as people and culture, 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.

In addition, 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 ensure customer responsiveness, heightened risk in linkage with business partners, adoption of innovative technology for services, various types of cyber threats which could have more severe impacts, risk from data leakage as well as change in rules and regulations which become ever more stringent, and personal data protection. We 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.

In 2023, the global economy was beset by continuous hikes of policy interest rates, led by the US Federal Reserve, the European Central Bank, the Bank of England and Asian central banks, in an effort to tame inflation which was still higher than the policymakers' targets. Other negative factors included elevated oil prices in the global market triggered by geopolitical tensions, and China's fragile property sector which affected its overall economy. All of these factors had adverse impacts on the Thai economic recovery, both directly and indirectly. Under these circumstances, asset quality management remained a major challenge which required appropriate solutions.

Amid uncertain circumstances, 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 strategies of the Financial Conglomerate, which are then translated into those for business and support units, and objectives and key results (OKRs). It also involves efficient resource allocation within the Financial Conglomerate, organization-wide communication of strategic plans, establishment of clear operational plans and monitoring processes, as well as identification of problems and solutions. Our strategic risk management involves two key areas 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 Financial Conglomerate’s strategies as well as business units’ strategic plans appropriately and in step with the ever-evolving environment, both internal and external, which may affect our business operations, based on our forecast of the changing directions to ensure our preparedness, regardless of circumstances.

- **Strategic Risk Management for Strategy Execution** is conducted by:
 - Preparing quarterly financial performance reports and semiannual Corporate Scorecard reports: We also arrange meetings to keep up with operations to align with the Financial Conglomerate’s strategies, and 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 the Financial Conglomerate’s infrastructure and resources.

2.3 Emerging Risks

KBank has prepared an action plan for the next five years to deal with numerous risks which may become more pronounced in the future. This plan aims to mitigate impacts that may occur to the economy, businesses and KBank, both directly and indirectly. In detail:

Emerging Risks	Description of Risks	Potential Business Impacts of Risks	Mitigating Actions
Climate-related Risk	<p>Climate-related risk consists of two types of risk:</p> <ul style="list-style-type: none"> • Physical risk, such as floods, drought, etc. • Transition risk, such as implementation of carbon tax measures, and changing consumer behavior on account of increased environmental concerns. 	<p>Physical risk arising from climate change-induced disasters – whether of short- or long-term consequence – is set to emerge with greater frequency and intensity. This phenomenon may have a direct impact on the business sector throughout supply chains and be catastrophic to properties of customers and KBank, alike. Aside from business disruption, we may have to bear hefty costs for prevention and rectification of any adverse impacts.</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 and strategies • Put in place governance structure, policies, strategies and action plan related to climate change • Assess risks, opportunities and impacts via climate-related scenario analysis in accordance with the

Emerging Risks	Description of Risks	Potential Business Impacts of Risks	Mitigating Actions
		<p>Meanwhile, the transition to a zero-carbon society has led to changes in laws, regulations, policies and various practical guidelines for management of climate-related risk.</p> <p>This has caused the business sector to face increased costs through investment in additional equipment, compensation expense, research and development, opportunity cost stemming from delay in the start of commercial operations, project termination and asset impairment. Indirectly, we may also feel impacts should the businesses of our customers or sponsors suffer a tarnished reputation.</p> <p>Unless the business sector adjusts itself appropriately and in a timely manner, its competitiveness and debt servicing ability may inevitably be impacted. This may have repercussions for KBank's asset quality and eventually its financial standing</p>	<p>guidelines of the Task Force on Climate-related Financial Disclosures (TCFD)</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 Improve the design of products and services to be more environmentally friendly. Promote collaborative action with our customers in the transition to a zero carbon society Formulate an 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>
Geopolitical Risk	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 due to the	<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 	<p>KBank is aware of geopolitical risk and its potential impacts. KBank 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 improved stress testing processes and models for enhancement of our forward-looking and preventive risk management. So doing</p>

Emerging Risks	Description of Risks	Potential Business Impacts of Risks	Mitigating Actions
	interdependence that global economic activity necessitates.	<p>parties will be directly impacted due to inability to conduct sales/purchase/payment transactions as usual.</p> <ul style="list-style-type: none"> Indirect impact: The overall economy will see a broad-based slowdown, causing KBank's asset quality to deteriorate. 	helps KBank to operate our business continually and sustainably.
Financial Landscape Risk	<p>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 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 units or organizations of both the public and private sectors to connect their systems with banking infrastructure or the open infrastructure, leading to open data ecosystems. 	<p>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 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</p>	<p>KBank has established the goal of business operation in line with sustainable development principles across three dimensions, i.e., economy, society and environment. We are thus committed to:</p> <ul style="list-style-type: none"> Achieving net zero in our own operations (Scope 1 and 2)¹⁾ by 2030 Achieving net zero in our financed portfolio in line with Thailand's aspirations, accelerating this journey where possible Supporting Thailand and our clients in regional economies on their decarbonization journeys while also contributing to the global effort to transition to net zero emissions by 2050²⁾ and aligning with the Paris Agreement goals 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</p>

Emerging Risks	Description of Risks	Potential Business Impacts of Risks	Mitigating Actions
	<ul style="list-style-type: none"> • 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 which may lead to restrictions or new opportunities. • Development of global digital currency: Regulatory agencies worldwide are working to improve their supervisory guidelines. However, the lack of clear regulations has led to high volatility in the digital asset market. For Thailand, the Bank of Thailand and the Securities and Exchange Commission are currently developing and upgrading the supervision of the digital asset business. In addition, the Bank of Thailand is developing a Central Bank Digital Currency (CBDC) for both retail and business use. 	<p>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>In addition, the development of CBDC at both the retail and business levels, with collaborative efforts from businesses, the banking sector as well as regional central banks, may lead to the creation of efficient financial innovations. This would present a new challenge which would require effective management of emerging opportunities and risks in the global landscape of the new era.</p>	<p>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 digital asset-related businesses and blockchain technologies across various dimensions. This included the establishment of a subsidiary to apply for licenses as a digital asset fund manager and digital asset custodial wallet provider; acquisition of a digital asset exchange; and the establishment of a company dedicated to blockchain technology infrastructure development. These strategic moves align with our goal of becoming a comprehensive digital asset service provider with readiness to seize opportunities in the new business landscape under our proactive, integrated risk management.</p>
Debt Crisis Risk	<p>Debt crisis risks can occur at both the national and organizational/ individual levels. These risks are associated with the accumulation of large amounts of debt, combined with factors that severely impact debt servicing ability, which could trigger a widespread crisis. These risks may stem from</p>	<p>Debt crises, whether public or private, may have direct and indirect impacts on KBank, with the severity level subject to the Bank's exposure to the source of the debt crisis. As evidenced, public debt to GDP in many countries rose substantially during 2020-2022 due to COVID-19 and the prolonged global economic slowdown prompted by multiple</p>	<p>KBank's credit risk management is governed by a credit policy which prioritizes a balance between credit quantity and quality. We establish a proper proportion of credit limit granted to the industrial sector, large borrowers and counterparties' countries to minimize credit concentration risk.</p> <p>KBank has conducted close monitoring and assessment of risks of each individual customer and across</p>

Emerging Risks	Description of Risks	Potential Business Impacts of Risks	Mitigating Actions
	<p>diverse sources, including severe and prolonged infectious diseases which disrupt economic activity, loss of income and business opportunities due to the inability to adapt to changing circumstances, including climate change, as well as government stimulus measures which directly or indirectly result in debt creation.</p>	<p>factors. Under these circumstances, debt woes in certain countries may worsen and plunge into a crisis. This is particularly true for countries having close ties with Thailand, such as Lao People's Democratic Republic (Lao PDR), which has raised funds via issuance of a large amount of Baht-denominated bonds. According to the International Monetary Fund, Lao PDR has the ninth-highest public debt to GDP in the world.</p> <p>Meanwhile, the Thai business and household sectors, especially vulnerable groups saddled with heavy debt burdens, are likely to face increased debt repayment risk, especially if they are unable to restore their income and control their expenses in a timely manner. This would inevitably lead to deterioration of KBank's asset quality, particularly among customers with loans and debentures with one-year maturity.</p>	<p>each portfolio. Additionally, stress testing has been undertaken to ensure that KBank can securely sustain our business operations.</p> <p>As a Domestic Systemically Important Bank (D-SIB), KBank prioritizes the maintenance of capital adequacy and liquidity levels to ensure resiliency, thus allowing us to withstand potential crises, to a certain extent.</p>
Generative AI Risk	<p>Generative AI risk involves the risk associated with the use of AI technology to create new data or works from learning and processing Big Data. Generative AI can create works in a variety of formats, such as text, images, sounds, and computer code, and this can be done quickly. Many organizations use generative AI to improve work efficiency.</p> <p>However, users should be aware of the potential risks,</p>	<p>The use of Generative AI poses risks to KBank in various dimensions, including:</p> <ol style="list-style-type: none"> 1. KBank's information may be disclosed without authorization, if the security aspects of the Generative AI service provider's system are compromised, and the system stores important data obtained through user inquiries, such as confidential data, sensitive data, and customer information. 	<p>Being aware of the risks and potential impacts that could occur, KBank has implemented measures to address these risks through the establishment of security guidelines, system protection and detection, including communication with employees. They are:</p> <ul style="list-style-type: none"> • Establishing guidelines for the use of Generative AI in the organization, with a focus on data security and customer data privacy; • Strengthening protection for accessibility and insecure use of Generative AI systems, which could

Emerging Risks	Description of Risks	Potential Business Impacts of Risks	Mitigating Actions
	<p>such as leakage of important information, unreliable/inaccurate results, copyright infringement or illegal data. In addition, there is a risk of cybercrime where criminals use Generative AI to craft tools to attack organizations and deceive people into fraudulent activities, such as phishing scams and installation of malicious applications. These swindles, if they were to occur, would have a severe impact on customers and organizations.</p>	<p>2. Customers' confidence and KBank's image may be jeopardized, if the results obtained from Generative AI are inaccurate, outdated, illegal or involve copyright infringement, and are used without checking the source or reliability of the data.</p> <p>3. Cyberattacks: The use of Generative AI by criminals to create new forms of cyberattacks and to exploit vulnerabilities in KBank's systems could lead to an increase in the frequency and severity of cyberattacks. This could result in disruptions to bank services, as well as fraudulent activities which would cause financial losses to customers or KBank.</p>	<p>lead to attacks on the Bank's systems or unauthorized access of our data;</p> <ul style="list-style-type: none"> • Enhancing capabilities of KBank's data leak prevention system in order to detect the use of important data in Generative AI systems; • Providing tools and developing technologies for prevention of new forms of cyber threats on a continual basis, which will allow us to prevent advanced threats or potential zero-day attacks; • Raising employee awareness about the risks associated with using Generative AI, as well as communicating security guidelines to employees of KBank and companies within the Financial Conglomerate.

Note: ¹⁾ Scope 1: Direct emissions from the activities of an organization including stationary combustion, fleet vehicles (organization-owned), chemical treatment of wastewater, as well as fugitive and process emissions.

Scope 2: Energy-indirect emissions including an organization's purchased energy such as electricity, heat and steam.

²⁾ Net zero emission by 2050 is the global effort to transition to net zero emission, aligning with the Paris Agreement goals. However, KBank commits to achieving net zero in our financed portfolio in line with Thailand's aspirations, accelerating this journey where possible.

2.4 Shareholder Risk Management

Investments in KBank 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, geopolitical tensions, pandemic, political situations, capital movements, changes in government policies, and other unpredictable incidents.

Furthermore, KBank's widely distributed shareholder structure, with its high incidence of foreign shareholding, could induce fluctuations in KBank's share prices, particularly when there is incidental market concern towards the economic, social, 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 has operated our business in accordance with the principles of a Bank of Sustainability that focuses on environmental, social and governance priorities. We aim to develop services that meet the needs of customers and support environmentally friendly businesses, leveraging digital technology, innovation, and data analytics capabilities.

In 2023, the Sustainable Development Sub-committee and the Corporate Governance Committee approved the 2023 sustainable development plan as guidelines to drive our organization, and determined the 2023 material topics and boundaries that adhere to the Double Materiality Principle, taking into account impacts on and expectations of all stakeholders both within the organization and the society at large. This plan includes KBank's ESG Strategy for 2023-2024 and a sector strategy for the cement industry aimed at achieving net zero in our financed portfolio. KBank also approved budgets for solar rooftop installation while launching waste separation campaigns to support the use of clean energy, reduction of greenhouse gas emissions, and waste management embracing the "Zero Waste to Landfill" concept at KBank's main buildings. Additionally, we approved the long-term goal for sustainable development for 2023-2026 comprising 51 Objectives and Key Results (OKRs) for assessment of performance under the Sustainable Development Policy.

KBank's major sustainable development operations in 2023 in alignment with the guidelines and strategies set by the Board of Directors were as follows:

- **Introducing green and sustainability-linked loan products** for both corporate and retail customers, such as a sustainability-linked loan (SLL) of Baht 10,000 million to support PTT Global Chemical Public Company Limited (PTTGC) in achieving its net-zero greenhouse gas emissions target by 2050. KBank also joined forces with leading solar power companies in launching the Green Zero home loan campaign for customers seeking home loans for solar rooftop installation.
- **Setting up the Beacon Impact Fund** which is invested by Beacon Venture Capital Co., Ltd. with seed money of Baht 1,200 million to invest in startups which embrace sustainable business models.
- **Participating in international conferences to promote environmental problem-solving and climate change mitigation**, including:
 - (1) Representing Thai private financial institutions in attending the ASEAN Business Advisory Council Summit Week and participating in a panel discussion, "Decarbonizing Southeast Asia: Charting ASEAN's Pathway to a Net Zero Future".

³ More details on sustainable development and materiality for KBank can be found in the Sustainability Report 2023

- (2) Attending the 28th United Nations Climate Change Conference of the Parties (COP28) as well as its side event by opening presentation, “Exploring Opportunities for Collaboration between Banks and Educational Institutions in Driving Climate Action” under the topic, “Driving Higher Education for Global Action”.
- **Organizing seminars and implementing projects to promote sustainable development**, including:
 - (1) Organizing the “EARTH JUMP 2023: New Frontier of Growth” seminar as a forum for world-class executives to share their vision and experience in navigating the business transition towards sustainable growth.
 - (2) Organizing a seminar titled, “The Key to Business Sustainability and ESG Standard”, for SME clients and listed companies to enhance business potential and bolster their respective competitive advantages, under the concept of sustainable business operations that create value for society.
 - (3) Launching the KATALYST STARTUP LAUNCHPAD 2023 program in order to support the development of Thai startups to be a driving force in advancing sustainable economic growth.
 - (4) Arranging the AFTERCLASS Business KAMP Year 4 under the theme, “Innovation for a Sustainable Society Hackathon 2023”, aimed at promoting the development of human resources, especially youths’ potential, through the education system – a fundamental mechanism for thought.
 - (5) Organizing the Cultivation of Wisdom Camp No. 1 under the concept of “66 Days of Life Skill Learning...Making Business into Reality” organized by the Cultivation of Wisdom Foundation under sponsorship of KBank. This pilot project aimed to equip participating high-school students in Nan province with knowledge and real-world business experience.
 - (6) Driving the Nan Sandbox Project which focuses on the development of medicines and health products from medicinal plants grown under the forest canopy. The initiative aims to help boost farm income while also restoring Nan’s pristine headwater forests in a sustainable manner.
 - **Developing applications and platforms to promote green lifestyles**. In collaboration with partners, KBank launched the WATT’S UP platform that serves as an end-to-end solution for electric motorcycle rental service, while developing the “Punfai” application – Thailand’s first energy exchange platform for both business and household sectors. Additionally, the Bank introduced the Kepler by KBank platform to serve as a source of information in instilling environmental consciousness via the Metaverse technology. This platform, which is now in a trial period with employees of the Financial Conglomerate, will eventually be expanded to the general public.
 - **Reducing GHG emissions from KBank’s own operations** through the shift to electric vehicles and green materials across all dimensions, and more efficient waste management at office buildings. The Bank also expanded its sector decarbonization strategy to encompass five industries, including power generation, oil and natural gas, coal, cement, and aluminum while gearing up to

work closely with other businesses in major industries to ensure a seamless transition, with tools and solutions tailored to the specific needs of each business.

- **Promotion of the GO GREEN Together concept** – KBank collaborated with the Provincial Electricity Authority (PEA) in introducing a service for the installation of PEA SOLAR rooftop for power generation. We also worked with Thailand Greenhouse Gas Management Organization (Public Organization) to conduct a study on carbon credit trading to promote greater accessibility to carbon credit markets among the Thai people. In addition, KBank joined with the Ministry of Interior, the Interior Ministry Officials' Housewives' Association, and the United Nations (UN) Thailand office in purchasing carbon credits certified by the Thailand Greenhouse Gas Management Organization (Public Organization) from four local administrative organizations in four provinces, totaling 3,140 metric tons of carbon dioxide equivalent. The proceeds from the sale of carbon credits to KBank will be returned to the communities to be used as funding for additional development in various areas.
- **Unveiling the “Dispose Responsibly” campaign** to advocate for employee awareness and behavioral change for effective waste management throughout the entire process. Along with this, we also introduced online campaigns for the general public to participate in through social media channels of KBank Live, serving as a starting point to drive towards the net zero goal.

□ **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. We improve our Corporate Governance operations and revise KBank charters and regulations regularly in order to be in line with the business targets, regulatory requirements and corporate governance principles under international standards, including the Board of Directors Charter, the Audit Committee Charter, the Risk Oversight Committee Charter, the Corporate Governance Committee Charter, the Human Resources and Remuneration Committee Charter, the Statement of Corporate Governance Principles, KBank Tax Policy and the Occupational Safety and Health, and Workplace Environment Policy.

In addition, KBank commissioned an outside consultant firm to conduct performance assessment of the Board of Directors, the Credit and Investment Screening Committee and board committees, in accordance with the Corporate Governance Code for Listed Companies of the Office of the Securities and Exchange Commission.

KBank arranged communications and provided knowledge on the Statement of Corporate Governance Principles for directors, executives and employees of KBank and companies within KASIKORNBANK FINANCIAL CONGLOMERATE, in order to foster an organizational culture that prioritizes good corporate governance practices while ingraining them in the operations of our employees across all levels. These

endeavors allowed KBank to maintain and develop the standard of good corporate governance development in a sustainable manner. Our operations included:

- **Organizing orientation or briefing sessions for newly appointed directors** in order to promote understanding of their roles and responsibilities and KBank's business operations. These include the K-Strategy, good corporate governance, sustainable development, human resources, information technology, risk management guidelines of the financial conglomerate, clarification on legal commitments, rules and regulations related to status of directors in listed companies, the charters of committees, KBank's key policies, handbook for directors of financial institutions and securities companies, the Statement of Business Conduct and the Code of Conduct;
- **Organizing KASIKORNBANK Directors Workshop (Board Retreat 2023)** to allow the Board of Directors to share their opinions and recommendations on business directions and strategic priorities in order to achieve the goals and create sustainable value for shareholders;
- **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 on the Code of Conduct and the Anti-Corruption Policy** via e-Learning system, wherein all executives and employees were required to sign in acknowledgement of the Code of Conduct;
- **Communicating with directors on knowledge** relevant to the discharge of directors' duties, corporate governance and sustainable development, via CG Journal and KBank Bulletin;
- **Communicating prevention of the use of inside information** to directors, executives and employees;
- **Communicating relevant topics of the Code of Conduct**, such as conflicts of interest, to promote employee awareness and to discourage them from taking any action to seek personal benefits which are in conflict with the interests of the Bank or the Bank's customers, via electronic network system;
- **Communicating the No Gift Policy** to executives and employees of KBank and companies within KASIKORNBANK FINANCIAL CONGLOMERATE to ensure operational transparency and foster good corporate governance practices;
- **Arranging a meeting to communicate with companies within KASIKORNBANK FINANCIAL CONGLOMERATE** on good corporate governance, sustainable development, company supervision, operational risk framework guidance, as well as internal audit and control, to ensure that operations are in conformity with regulatory requirements and good corporate governance practices of international standards;
- **Participating in the International Anti-Corruption Day (Thailand) event** under the concept of "Zero Tolerance: Thais are Intolerant of Corruption" with the theme, "BREAK THE CORRUPTION: Don't Do It, Don't Tolerate It, Don't Ignore It, Unite Thailand against Corruption", organized by the government in collaboration with the National Anti-Corruption Commission (NACC), Office of Public Sector Anti-

Corruption Commission (PACC) and the Anti-Corruption Organization of Thailand and various stakeholders.

3.2 Business Directions of KASIKORNBANK and the Wholly-owned Subsidiaries of KASIKORNBANK in 2023 and Outlook for 2024-2026

In 2023, 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. KBank focused 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. Our key strategic imperatives are as follows:

- Dominate Digital Payment
- Reimagine Commercial and Consumer Lending
- Democratize Investment and Insurance
- Penetrate Regional Market
- Strengthen Harmonized Sales and Service Channel Experience

For 2024-2026, KBank remains committed to conducting our business as a Bank of Sustainability. We focus on delivering sustainable value to all stakeholders, namely customers, shareholders, employees, regulators, and the society at large. These endeavors can be achieved through our good corporate governance, appropriate risk and cost management. In parallel, we foster K-Culture which encourages attitudes and behaviors of our personnel towards a shared goal under five Core Values, i.e., Customer at Heart, Collaboration, Agility, Innovativeness and Integrity.

Our strategic imperatives prioritize customers' demands across all segments, while our business plan aims to develop products and services that can meet the diverse needs of our customers, including retail, SME, corporate and international businesses, with the aim of becoming our customers' main operating bank and the Regional Digital Bank. To this end, KBank has established strategic priorities while defining "Strategy 3+1" as the organization's new strategic framework as follows:

Strategy 1: Reinvigorate Credit Performance: We aim to assist our customers in their lives and businesses while generating an additional revenue stream for KBank under an appropriate risk-adjusted return. We focus on acquiring customers with sound debt servicing ability who are interested in borrowing, while conducting risk-based cost management and developing efficient practical guidelines in order to maintain business growth and credit quality. These endeavors are undertaken via our four key strategic approaches, i.e.,

- Growing credit product portfolio with quality: We focus on middle- to high-income clients to minimize risks related to fraud and credit quality.
- Grooming existing credit customers: We aim to broaden opportunity in extending credit to customers within the ecosystems of our business partners while giving them support in their transition to a low-carbon business.
- Proactive retention and anti-attribution: This is to maintain existing customers via the anti-attribution model.
- Credit transformation to build and enable capabilities for business growth: KBank aims to transform and develop lending capabilities throughout product cycles to ensure efficient business growth.

Strategy 2: Scale Capital-Lite Fee Income Business:

- Create long-term, sustainable wealth empowerment through Financial Advisory approach, offering comprehensive investment and protection products tailored to customers' needs and investment goals. Enhance the distribution network and digital channels, and uplift after-sales service through the K-Wealth Contact Center. Additionally, strengthen the K-Wealth Brand by delivering distinguished privileges and superior experiences to customers.
- Dominate digital payment: Being a leader in continually providing innovative payment solutions, we serve customers anywhere, anytime, across all digital platforms, including domestic, international and regional payments with the aim of embedding in customers' ecosystems. Our focus has thus been on continuous service improvement for enhanced customer experience with cost effectiveness. Along with this, we leverage data analytics in order to offer products and services tailored to customer behavior.

Strategy 3: Strengthen and Pioneer Sales and Service Models to Deliver Value-Based Results: We aim to deliver efficient services, prioritizing the “Digital First” approach. The strategy integrates digital technology with impressive service delivery via capable personnel to allow customers to access our financial services seamlessly across all channels, accounting for appropriate cost and risk appetite.

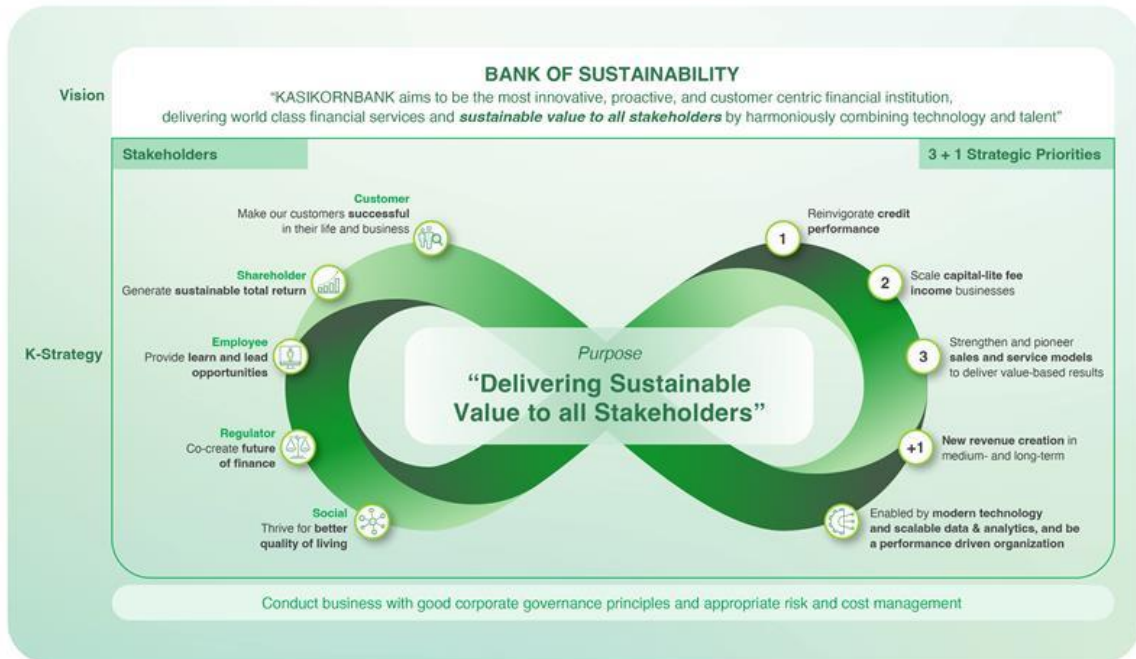
Strategy+1: New Revenue Creation for Medium and Long-Term: We will cautiously explore opportunities while closely monitoring risks in new revenue streams via key business units to help KBank achieve its financial targets. Our strategic initiatives will include:

- **Building long-term business growth:** We aim to broaden our reach to the mass market and the underbanked who have limited access to KBank services via KASIKORN INVESTURE CO., LTD. (KIV) which engages in payment services, lending and asset management business. By leveraging our partners' capabilities and KBank's existing infrastructure, we focus on increased flexibility in providing financial services to retail customers while mitigating credit risk-related costs.

- **Taking the lead in financial services through regional business expansion:** We aim to broaden our regional business to accommodate our customers' transactions and business operations, with a focus on acquiring clients in three major markets, namely the People's Republic of China, the Republic of Indonesia and the Socialist Republic of Vietnam.
- **Going Beyond Banking and Innovation:** We have formulated strategic plans and set goals for businesses that go beyond banking and innovation in sync with ever-changing consumer behavior, technology and the competitive landscape.
 - (1) **Tech innovation:** Leveraging technological innovation for development of new services beyond traditional banking realm for enhanced customer responsiveness. Notable initiatives include MAKE by KBank application and KhunThong social chatbot.
 - (2) **Future of Finance:** Preparing to provide digital asset-related services and blockchain technology both domestically and internationally to enhance customer empowerment, focusing on reliability, as well as user-friendly and easily accessible services, under the new financial infrastructure of Thailand.
 - (3) **Uplifting Banking:** Collaborating with our business partners in three targeted ecosystems, i.e., health, travel and education, in initiating the study and development of a business acting as an intermediary to connect our customers with service providers. Our goal is to offer a more positive customer experience together with cost effectiveness.
 - (4) **Sustainability:** Developing an ESG Beyond Banking Solution – a business model that focuses on environmental, social and governance priorities under two main approaches. They are, i.e., acting as an intermediary to connect service providers with our customers to ensure their improved access to environmentally friendly technology via an ESG platform, and providing services related to assessment, reporting, reduction and exchange, as well as the development of a carbon market throughout the carbon value chain.

Guided by our business strategies, KBank has conducted operations with the aim of maintaining our status as a leading financial institution which can cope with economic volatility in a timely manner in strict compliance with the good corporate governance policy. 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. Additionally, KBank has undertaken operations in alignment with policy guidelines and measures of the Bank of Thailand and other regulatory agencies, ensuring that we can strictly comply with those standards with enhanced efficiency.

Vision and K-Strategy



In 2023, KBank operated business in alignment with our strategic imperatives 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. 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 initiatives in this quarter were as follows:

- **Development of xplORe Wallet Powered by KBank:** Under cooperation with PTT Oil and Retail Public Company Limited (PTTOR), KBank developed xplORe Wallet Powered by KBank (formerly Blue CONNECT Wallet) under e-Money White Labelling to accommodate payment for a variety of products and services via both online and offline channels, including those outside PTTOR retail stores. Aside from a feature for inquiry of transaction history, customers can link this e-wallet to the PTT Blue Card point accumulation program in order to receive promotions and numerous privileges.
- **Promotion of YouTrip Multi-Currency Card,** a digital wallet for travel that accommodates multiple currencies: With distinctive features, the card offers competitive exchange rates and allows cardholders to exchange up to 10 currencies in advance and spend in more than 150 currencies worldwide with no application fee, annual fee or fee for cash withdrawal via ATM in other countries.

To promote engagement and maximize satisfaction, KBank offered cardholders additional benefits, including special rewards, discounts and cash back for spending, via YouTrip Perks. Aside from increasing the number of participating merchants, we also introduced tourism-themed content via both online and offline channels.

- **Promotion of KBank Debit Card:** KBank unveiled K Online Max Debit Card, a virtual debit card to provide greater customer convenience with no need to carry a physical card. Customers can apply for the card via K PLUS and enjoy multiple benefits such as personal accident coverage, travel insurance and online purchase insurance. The launch of this card aims to expand the cardholder base to employees, daily/temporary workers and the self-employed. To encourage increased spending via the card, we launched a campaign offering a waiver of application and first-year annual fee, along with marketing promotions tailored to customers' lifestyles.
- **Development of K SHOP:** The Bank introduced the K SHOP Pro package with features to facilitate online merchants in handling order placement, receiving payment, and inventory management. A free trial was offered for customers who signed up for the service. We continually upgraded K SHOP to allow both physical and online stores to accept payment in various forms, including Thai QR Payment, QR Credit Card for Visa, Mastercard and UnionPay, Alipay and WeChat Pay – the Chinese e-wallet, as well as QR code scan with payment made via K Point and Mobile Point of Sale (mPOS). Additionally, K SHOP can accommodate Payment Link – a feature that allows merchants to chat and share payment links via social media, as well as QR scan from mobile banking applications of foreign tourists from six countries and territories including Malaysia, Singapore, Indonesia, Vietnam, Cambodia and Hong Kong.
- **Promotion of e-Donation and QR code donation:** This is an effective and transparent donation mechanism, ensuring that organizations receive donations correctly and that donors receive tax deductions without having to show proof of donation to the Revenue Department. The promotion covered a wide range of recipient units, such as hospitals, foundations, and educational and religious institutions. Donors can easily search for the names of participating recipient units and QR codes on KBank's website.
- **Development of Corporate Payment API:** We enhanced the system to accommodate funds transfer for businesses using the KBank's Corporate Payment API, allowing them to make domestic funds transfer for non-resident accounts, apart from current and savings accounts. The development is aimed at supporting business transactions of multinational companies in Thailand. We also expanded the service to customers in social e-commerce businesses.
- **Development of K PromptBIZ:** K PromptBIZ accommodates payments based on collection via the system through the integration of trade-related data and comprehensive digital payments, encompassing trade-related document preparation and delivery. The service helps improve

business process efficiency and save operating costs. Additionally, transaction data of business customers can be used to support their loan applications.

- **Development of Kyat funds transfer service via K PLUS:** This service aims to provide greater convenience for Myanmar workers in Thailand in gaining improved access to financial services and sending money to their homeland quickly. To make Kyat funds transfer, customers just provide the recipient's telephone number linked to a KBZPay Wallet of Kanbawza Bank (KBZ Bank). The sender can check the recipient's name before conducting the transaction and receives a notification once the funds transfer is credited into the recipient's account. The recipient can receive the funds transfer via their KBZPay Wallet account and withdraw cash at any KBZ Bank branch, ATMs and more than 40,000 KBZPay service points in the Republic of the Union of Myanmar.

3.2.2 Lending

KBank has in place a prudent credit policy, accounting for the uneven Thai economic recovery amid intense market competition. We focused on continual improvement of lending products and services while also leveraging technology for the offering of products tailored to the needs of target customers with sound debt servicing ability under efficient risk management to assist and support our customers in an efficient and timely manner.

Regarding business loans, KBank continued to support long-term loans to accommodate business expansion while also providing short-term loans to bolster liquidity and working capital for businesses under rigorous credit underwriting processes appropriate for each customer's risk persona, with thorough consideration. Additionally, KBank prioritized the offering of sustainable finance to businesses having operational guidelines that promote sustainability with a focus on environmental, social and governance priorities. Notable initiatives included renewable energy projects, green buildings, clean transportation projects and sustainability-linked loans aimed at achieving sustainability goals such as reducing greenhouse gas emissions. Customers were required to establish ambitious key performance indicators (KPIs) and sustainability performance targets (SPTs) with clear operational timeframes, while also having a second-party opinion to assess the indicators based on Thai and international standards.

Regarding retail loans, the Bank focused on provision of secured loans, offering the highest credit limit based on collateral value to low-risk customers with good credit history so as to remain competitive in the market, while maintaining overall asset quality at a manageable level. As for unsecured loans, we focused on high-quality customers with increased income and clients with greater potential for income growth in alignment with our prudent credit policy. Additionally, KBank has in place guidelines for offering credit limits and interest rates in accordance with each customer's risk profile, allowing us to manage income and service costs more appropriately. Along with this, our key priority is to proactively monitor credit quality for enhanced efficiency.

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 2023, the overall investment situation remained volatile due to economic factors and geopolitical tensions which impacted each country to a varying degree. While the US, European and Japanese stock markets improved, the Chinese and Thai bourses remained on a downward trend. KBank therefore recommended multi-asset/balanced funds, and foreign fixed-income funds with global diversification so that our customers could capitalize on positive impacts from the end of the upward interest rate cycle and the anticipated interest rate downturn in 2024.

For customers having a higher risk appetite and seeking long-term investment opportunities, we recommended that they diversify their investment in stocks with long-term growth potential. These included funds investing in ESG stocks, funds that focus on global equities in megatrend industries, and healthcare funds. Meanwhile, investors having a lower risk tolerance were recommended to focus on fixed-income funds and term funds. Meanwhile, our Private Banking clients were advised to invest in private assets and private equity funds – among alternative products for risk diversification.

For high net worth individual customers, emphasis remained on risk-based allocation investment in multiple assets, in accordance with K-Alpha's investment recommendation. KBank collaborated with KAsset and its investment partner in developing three mutual funds, namely ALPHA-CON-UI, ALPHA-MOD-UI and ALPHA-AGG-UI, which are designed for investors with different investment goals and risk appetites. At the same time, private bankers and a team of experts from KBank could provide advice to clients who were interested in managing their own investment portfolios. Investors were equipped with information on diverse investment themes aimed at generating returns amid the prevailing market circumstances. In particular, the key "Winner of New Economy, Policy-Driven for Better World" theme focuses on businesses in the new economy that can create positive impacts and sustainability for the world.

- **Life insurance products:** KBank aims to develop a variety of insurance products that are suitable for each customer group, taking into account after-sales services and customer engagement. We seamlessly integrated digital channels and sales agents for greater accessibility to customers. Our endeavors were achieved through customer base expansion focusing on top-middle income earners and the introduction of smaller policies. These included life and health insurance plans offering coverage and financial protection for families, as well as unit-linked life insurance – an option for customers seeking both coverage and investment returns. A notable new product was

“Perfect Saving 11/5” life insurance, which can be applied for online, with no health checkup required.

For affluent and high net worth individual clients seeking wealth transfer and legacy planning, we recommended the Premier Legacy 99/99 life insurance. Policyholders can transfer their wealth which is not subject to inheritance tax or court proceedings. This policy features low sum insured which can generate a large amount of wealth while customers have an additional option to pay insurance premiums until they reach 99 years old. Under the previous Premier Legacy plans, customers may choose from three premium payment terms: one year (Premier Legacy 99/1), five years (Premier Legacy 99/5), or 10 years (Premier Legacy 99/10).

3.2.4 International Business Operations

KBank expanded its business in the AEC+3 market under three key strategies, namely: 1) Aggressive Play: aggressive expansion in corporate lending; 2) Mass Acquisition Play: expansion of the customer base via digital channels in collaboration with the Bank's local partners, with the ultimate goal of becoming a regional payment platform; and 3) Disruptive Play: development of new financial service formats to serve customers with limited access to bank services (the underbanked), a significant consumer base in this region. Major initiatives in our four key markets were as follows:

1. The Republic of Indonesia: KBank focused on aggressive loan business expansion along with a transformation of PT Bank Maspion Indonesia Tbk's business operations for enhanced efficiency in three areas, namely personnel, work processes and technological infrastructure. In 2023, KBank increased its shareholding in PT Bank Maspion Indonesia Tbk to 84.55 percent to support its continual growth. We also improved our services and financial advisory in order to offer loan products that better meet customers' needs. Moreover, KBank launched deposit products as part of our effort to expand the deposit base while also fostering collaboration with an online platform in order to offer a loan service to small business customers in need of working capital. Meanwhile, we focused on expanding merchants accepting bill payment via QR code under the Quick Response Code Indonesia Standard (QRIS). As of now, the Bank has approximately 5,000 touchpoints and QRIS merchants.

2. The Socialist Republic of Vietnam: KBank aims to become our customers' main operating bank with our strategic focus on prudent business expansion. To this end, we launched a variety of products in order to meet the needs of all customer segments. Along with this, KBank offered full-fledged financial services in the transactional ecosystem while promoting brand awareness to attract the target customers. In 2023, KBank launched a home loan service with the aim of generating additional income from clients who have an active deposit account with K PLUS Vietnam, now topping 1.1 million.

3. People's Republic of China: KBank opened a branch in Beijing, China's capital and the center for our major customer groups, government agencies and headquarters of leading Chinese firms. We offered cross-border business solutions to business customers in China seeking to invest in Thailand and other ASEAN

countries, including our clients in Thailand and other ASEAN countries wishing to expand their businesses in the mainland. In addition, KBank partnered with our business partner's platform to broaden our loan service to SME clients throughout the value chain financing. In parallel, we introduced personal loan products via digital channels to create opportunities for empowering our customers' lives and businesses under the "Better SMEs and Better ME" concept.

4. Lao People's Democratic Republic: KBank unveiled K PLUS Laos in alignment with the strategy of becoming the Regional Digital Bank. We aim to offer digital banking innovations to local customers to elevate the quality of life among both retail and business customers. To this end, our focus was on the development of transactional banking services for daily life, including payment, withdrawal, and domestic and international funds transfer. Additionally, we expanded bill payment service for utilities including water and electricity as part of our continual effort to promote a cashless society.

KBank has thus far launched K PLUS in three ASEAN countries, including Thailand, the Socialist Republic of Vietnam and the Lao People's Democratic Republic, with the total number of users across the region now surpassing 23 million. KBank has 16 locations of its international branch network 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 Republic of 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 companies in which KBank is an investor and business partner, as well as more than 2 million customers region-wide.

International Branch Network

International Branch Network	Number of Locations	
	2023	2022
Branches of Locally Incorporated Institutions	7	6
KASIKORNTHAI BANK LIMITED (Lao PDR) - Head Office, Lane Xang Avenue and Ponesinuan Branch	2	2
KASIKORNBANK (CHINA) CO., LTD. - Branches: Shenzhen, Chengdu, Shanghai and Beijing - Sub-branch: Longgang	5	4
PT Bank Maspion Indonesia Tbk - Head Office (1); Branches (13); Sub-branches (38); Mobile branches (9)	61	60
Other overseas branches - Branches: Cayman Islands, Hong Kong, Phnom Penh and Ho Chi Minh City	4	4
Representative Offices - Kunming, Tokyo, Yangon, Hanoi and Jakarta	5	6

3.2.5 Service Channels

KBank has established business directions under the customer centricity concept. We therefore focused on seamlessly integrating physical branches with digital platforms as an alternative for customers across all age groups in accessing our services anywhere, anytime. KBank also orchestrated ecosystems with our business partners via digital banking services with the aim of elevating our long-term competitiveness, solidifying our leadership in digital payments while fostering sustainable business growth. All of these efforts are carried out under our proactive measures to safeguard customers' property and data privacy, thus ensuring their confidence in conducting transactions with enhanced security for the most impressive customer experience.

1. Domestic Branch Network: To ensure the highest efficiency in branch network management, KBank focused on the available number of branches, which must be appropriate for broader service coverage as well as proper control of operating costs. To this end, we consolidated branches to reduce redundancy, especially those with relatively low traffic, while also promoting the use of technology for development of services and branches' internal processes. Meanwhile, KBank offered services at branches of various formats to align with customers' needs in their daily lives in each area. For instance, we now have 24 hybrid branches which offer customers self-service electronic machines, and four K PARK locations that provide a variety of services at gas stations and in various communities. Moreover, the Siam Square Branch building is the first "Innovative Iconic Green Building" under the KLOUD by KBank project. All customers, students and the general public are invited to use the service free of charge.

In addition, we focused on expanding KBank Service via banking agents and machine agents at targeted areas in each province nationwide to accommodate future branch consolidation. In 2023, we continued to improve the quality of banking agent services, including cash deposit/withdrawal, bill payment and identity verification for electronic account opening as well as application for other financial services which were made available via different agents, under the standards established by KBank. We also launched a brand awareness campaign through reduction of fees for making deposit via the established banking agents.

Meanwhile, KBank gradually opened more foreign exchange booths, especially in areas where the number of foreign tourists has risen significantly, especially in airports, Airport Rail Link stations and at major tourist attractions, aside from the foreign exchange service available at KBank branches, to ensure broader service coverage across the country. Moreover, automated currency exchange machines are now available at Suvarnabhumi Airport, the King Power Mahanakhon Building, King Power Sri Vari Building and King Power Rangnam Building. We have also introduced the EV FX Mobile – a new format of foreign exchange booth service via electric vehicle – to provide customers more service options.

Branches, Financial Service Centers and Electronic Banking Services

Domestic Branches and Financial Service Centers	Number of Locations		Electronic Banking Services	Number of Units	
	2023	2022		2023	2022
Branch Network ¹⁾	809	824	Self-Service Channel (K-ATM and K-CDM)	10,903	10,953
Foreign Exchange Booth	97	78			
SME Business Center ²⁾	184	179			
International Trade Service Center	58	58			
Cheque Direct Service	15	13			

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

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

2. Electronic Banking Services:

- **K-ATMs and K-CDMs:** Siting of machines has been a major focus with sufficient service points to ensure broader coverage. Along with this, we developed functions on these machines for enhanced customer responsiveness under proper cost management. In 2023, KBank added a new step which requires customers to verify their identity before making deposit and cash transfer, both for own account and interbank funds transfer transactions, via K-CDM. The new step is in accordance with the regulations of the Anti-Money Laundering Office and the Bank of Thailand to prevent money laundering and other financial scams. We also improved the identity verification system at electronic machines for enhanced efficiency and greater customer convenience in the opening of K-eSavings and application for services, including the opening of mutual fund accounts, and activation of Blue CONNECT e-wallet as well as signing up for LINE BK and K PAY LATER. Moreover, our K-ATM and K-CDM machines are now equipped with a multilingual function to facilitate transactions.

- **Digital Banking Services:** KBank has continually developed our banking platform for enhanced efficiency and customer base expansion while maintaining our leadership in digital banking services with the largest number of users in Thailand. Focus was on increased linkage of KBank's financial services with our business partners' platforms across all ecosystems, and technology-driven financial innovations to be at the forefront in offering new features to meet the needs of users in the digital era. Major initiatives included:

- 1) **K PLUS:** Being an open banking platform that promotes linkages with our business partners, enabling seamless connectivity within the lifestyles and business ecosystems of the digital era through the launch of innovations and new boundless services. In parallel, our focus was on development of brilliant basics to ensure customers' confidence in conducting financial transactions with enhanced security. Major initiatives were as follows:

1.1 Development of K PLUS infrastructure for enhanced reliability and security:

- Enhanced security with facial scan: Customers are required to conduct a facial scan when making funds transfer over Baht 50,000 per transaction or over Baht 200,000 per day, including scheduled funds transfer transactions, and activating accessibility service.

- Establishment of daily transaction limit for customers aged not more than 15 years old: They can conduct transfer, payment and top up transactions at a maximum of Baht 20,000 per day and cardless withdrawal up to Baht 30,000 per day.
- One customer – one mobile phone number registration: To register for K PLUS, a customer (one national ID card number) is now required to use only one mobile phone number.
- Assessment on fraud awareness: Customers are required to complete an assessment questionnaire upon their first use of service and every six months in accordance with the Bank of Thailand's fraud prevention measures.
- Warning alert on financial fraud: Customers receive a warning message on financial scams every time before they make funds transfer.

1.2 Enhancement of payment services for improved customer responsiveness:

- Expansion of QR payment via K PLUS at stores bearing a UnionPay logo to more than 40 countries and territories worldwide, including the Federal Republic of Nigeria and the Kingdom of Sweden.
- Launch of international funds transfer to Republic of the Union of Myanmar: Recipients simply have a mobile phone number linked to a KBZPay Wallet of KBZ Bank and activate the KBZPay system. Maximum funds transfer is Baht 50,000 per transaction and MMK 5,000,000 per day.
- Expansion of e-Donation to cover a wide range of recipient units: After KBank has submitted information on donation directly to the Revenue Department, donors can exercise their rights to personal income tax deduction.
- Expansion of bill payment service throughout 24 hours and increased accessibility of K PLUS Free Call (Wi-Fi call) service through making it available on the transaction page, the home page under the topic "Recommended Services", and the "More" page.

1.3 Strengthened connectivity across ecosystems of KBank's partners:

- Transfer of AIS Points to the K Point loyalty program: K PLUS customers using AIS service can transfer their AIS Points to the K Point loyalty program with no fee.
- Use of K Points together with cash for bill payment, top up including payment via QR code of other banks.

1.4 Enhancement of emotional aspect for better customer experience: Addition of new themes

and slip designs on K+ market: The new themes and designs offered by our business partners include Hello Kitty, One Piece, Shin Chan and Wiggle Wiggle. Customers may purchase them or send them as gifts to other users.

- 2) **K BIZ:** An internet banking service for business and SME customers which provides financial management services to both individuals and juristic persons. Its comprehensive features cover funds transfer, top up, and bill payment designed to meet specific business needs, under a standard security system for enhanced confidence in transactions. These include multiuser assignment, statement download in PDF and Excel file format, e-slip verification for transaction confirmation, K-Payroll, and credit inquiry for all six types of loans, allowing customers to verify and track their loan utilization, namely overdraft, letter of guarantee, promissory note, commercial loan, personal loan, and home loan.

We have also collaborated with business partners in offering business management tools for K BIZ users such as PEAK online accounting software and HumanSoft payroll solution, based on the established conditions.

- 3) **K-Payment Gateway:** KBank developed an internet payment service to support various forms of payment, including card payment – with options of payment in full and installment payment, QR code, Pay with K PLUS, and the Alipay and WeChat Pay e-wallets. Also, merchants can create and share payment links via chat using either of two services – K PAYMENT LINK for merchants offering sales via social media channels; and K SOCIAL PAY for merchants having LINE Official Account (LINE OA).

Additionally, we have developed services to better meet the needs of merchants, such as a bulk refund feature allowing merchants to cancel multiple transactions at once, improved display of important information in the merchant portal and payment details. These are available for merchants on e-commerce and marketplace platforms, food delivery services, payment facilitators, and online retail stores.

- 4) **KBank Live (Facebook, X (formerly 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:

- Notifications via KBank Live LINE: Customers are notified of account movement for deposit account, credit card and Xpress Cash as well as loan payment due and suspicious transactions. There is also a feature of sharing notifications on incoming-outgoing funds with LINE friends using a shared account. Moreover, clients can make appointments for use of branch services and receive news tailored to their interests via KBank Live LINE.
- Search and inquiry of products and services, promotions and financial knowledge as well as KBank news and information. A chatbot is also available to answer questions and provide information and suggestions.
- Fraud case reporting via KBank Live LINE: This channel allows customers to report fraud cases to the financial fraud center quickly and easily, 24 hours a day. Moreover, information

on cyber threats is available on a continual basis, such as the SATI campaign. We also cancelled the sending of SMS with attached hyperlinks to customers.

5) **Other platforms:** KBank has developed various financial platforms for our business partners. So doing allows them to conduct financial transactions with the Bank and apply our products and services in their businesses. Notable platforms are:

- **KBank Open API:** This channel allows system developers and business partners to access and connect to API services of KBank, enabling businesses to offer new products and services to target customers more efficiently, while the Bank can expand its customer base at a faster pace. Presently, KBank's products and services available on Open API include QR Payment, Inward Remittance, Slip Verification, KGP (KASIKORN GLOBAL PAYMENT) Merchant Payment platform and funds transfer from KBank accounts 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.
- **RP (Relying Party) Proxy:** This platform allows KBank partners to connect to the National Digital ID (NDID) platform for identity verification easily and quickly.
- **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 complied with government agencies' policies and measures on financial frauds and online scams. We have in place efficient customer management guidelines to ensure their confidence in conducting financial transactions for protection of their property against loss from fraudulent actions. Major operations throughout the year are as follows:

- 1) **Setting up of a hotline center for reporting financial fraud** at 02-8888888, press 001, available 24/7. We have developed a system and processes for notifying customers of their bank case ID in urgent cases, as well as sending SMS messages to inform them of progress on resolving problems. Moreover, we enhanced KBank Live on the LINE platform, allowing customers to more conveniently report financial crimes online through chatbot and self-service features.
- 2) **Development of connectivity processes with relevant parties to stop suspicious transactions in a timely manner.** This involves collaboration among units within the Bank, other banks, government agencies, as well as mobile network service providers. Moreover, we opened a connection with the Anti-Online Scam Operation Centre or AOC 1441 hotline – an added contact channel which allows victims to make inquiries, report, and track the status of their cases. The AOC will act as an intermediary to coordinate with banks and facilitate operations.

- 3) **Establishment of internal work processes to address various forms of fraud**, in accordance with the rules and regulations outlined in the Executive Decree on Measures for Protection and Suppression of Technology Crimes. Focus is on providing comprehensive and prompt assistance to customers.

In addition, KBank – as a Customer Fulfillment Center – has elevated our service efficiency to ensure total solutions. We aim to become a Customer Engagement and Empathic Center which orchestrates a seamless customer experience across all service channels, thus becoming their main operating bank in a sustainable manner. Major operations are as follows:

- **Improvement of Service Quality:** Our employees have been trained with a focus on empathic skills and mindset in efficiently solving customers' problems, thus delivering an excellent customer experience.
- **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 effects, in order to maintain the public's confidence in the Bank and the financial institution system in general.
- **Development of Service Process of K-Contact Center:** Focus was on improving our first-call resolution, while also offering additional online channels for document submission. Also, we launched Internet Voice Call via K PLUS to help reduce service fees for customers.
- **Chatbot Development:** With adoption of generative AI technology, we expanded the scope of information provided about KBank products and services for broader coverage, greater accuracy and enhanced efficiency.
- **Development of Knowledge Management Smart Agent Portal:** This effort is aimed at bolstering K-Contact Center's capabilities for enhanced service efficiency.

3.3 Operations of Support Groups

3.3.1 Human Resource Management

KBank, as a customer empowerment organization, focused on human resource management that is in alignment with the K-Strategy. In a challenging environment and organizational context, we thus embarked on key initiatives as follows:

1. **Organization Design for Growth:** KBank established the Wealth Management and Bancassurance Division and enhanced the capabilities of personnel providing wealth management services. We recruited employees capable of providing end-to-end customer care, including product managers, wealth-relationship managers and credit analysts as well as other officers in support of KBank's new businesses. To better meet the needs of our customers, KBank also supports the development of employees' capabilities by promoting learning opportunities and examinations to obtain licenses for specialized investment advisory services.

2. **Effective New Way of Work:** We conducted an employee engagement survey in the dimensions of leadership, work experience and overall engagement. The survey – a reflection on activities held to enhance our employee care capabilities – aimed to obtain feedback from KBank’s employees, including Engagement Ambassadors across all divisions. KBank also introduced “K-People Touch” – a new format of Human Resource Information System (HRIS) to support human resource operations in order to better facilitate employees.
3. **Purposeful and Practical Leadership:** With the “Jar of Purpose” initiative – led by KBank executives – all employees are encouraged to prioritize their work and align their efforts with the shared goal of becoming a Bank of Sustainability. Our ultimate goal is to deliver sustainable value to all stakeholders, including customers, shareholders, employees, regulators and the society, accounting for the best practices in conformity with regulatory requirements.
4. **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. These meetings allowed for consultations and problem-solving discussions between KBank and our employees, to strengthen our relationship on a regular basis. Moreover, employee welfare benefits have been adjusted to be more appropriate and favorable to employees.

3.3.2 IT Management

In 2023, KASIKORN BUSINESS-TECHNOLOGY GROUP (KBTG) prioritized the study and development of financial innovation in alignment with KBank’s goals under a new format of IT infrastructure. Our focus was on efficient work processes that are on par with international standards and under 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 with the aim of maintaining our competitiveness and our status as 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 innovative technology
 - **Developed and improved K PLUS application:** We added the following features to deliver a positive experience with enhanced efficiency to more than 21.7 million K PLUS customers in Thailand:
 - Enhancement of security system for transactions: Users are required to verify their identity via facial recognition when conducting important transactions such as activation of accessibility service, funds transfer of Baht 50,000 and more, and a combined amount of more than Baht 200,000 within the same day. K PLUS users are also required to complete an assessment questionnaire before logging in to the system every six months as part of our effort to promote their fraud awareness.
 - Development of QR payment in more than 40 countries and territories worldwide, including the Federal Republic of Nigeria and the Kingdom of Sweden

- Development of funds transfer to banks in the Republic of the Union of Myanmar via KBZPay at any time: This service allows recipients to receive the full amount of funds transfer while senders can save the transaction as a favorite for greater convenience when conducting future transfers.
 - Use of K Points together with cash for transactions via K PLUS such as bill payment, top up and QR scan for payment at K+ Shop or participating merchants. Moreover, AIS Points can be transferred to the K Point loyalty program.
 - Development of K PLUS x LINE Creator themes which can be sent as gifts to other users via K+ market on K PLUS
 - Development of e-Donation on K+ market which allows instant tax deduction
 - Development of top-up menu for the purchase of supplementary packages of three mobile phone operators including TrueMove H, AIS and DTAC
 - 24-hour bill payment at more than 700 stores

- **Developed and improved the MAKE by KBank application:** Cloud Pocket is a key feature that serves as a financial assistant for customers, allowing them to efficiently manage their savings and monthly expenses in order to foster their financial discipline. Thus far, there are more than 2 million user accounts, of which 1 million are monthly active users. The Make by KBank app won a customer satisfaction score of 4.8-4.9 out of 5 on the App Store and Play Store. Major initiatives developed this year were as follows:
 - Developed a biometric authentication system that uses facial, fingerprint, and iris scan to log into the app quickly and easily
 - Developed “MAKE Trial Mode” which allows users to generate an unlimited number of cloud pockets and shared cloud pockets, on a trial basis at no cost, before opening a K-eSavings Account to access other features in full
 - Developed a QR Verification system to verify transfer slips for funds transfer transactions conducted via MAKE, in order to prevent transfer slip forgery
 - Developed a feature for transaction limit adjustment which allows users to set daily transaction limit and daily withdrawal limit
 - Developed a feature for withdrawal of funds from a shared Cloud Pocket, allowing members to request withdrawal from the Cloud Pocket owner for both general and scheduled transactions

- **Developed and improved KhunThong social chatbot:** KhunThong features a financial service via LINE with more than 390,000 active monthly users, and more than 700,000 transactions per month from more than 1.7 million user accounts in over 600,000 LINE groups. We have improved various features as follows:

- Improved the journey of collection via the “Private Request Flow”, without the need to collect payment only within LINE groups
 - Improved customer engagement: Customers within the same LINE group can collect multiple bills – both general and scheduled – at a single time.
 - Improved customer experience with a newly designed User Experience (UX) and User Interface (UI) that provide greater flexibility and convenience
 - Added channels for accessing the KhunThong social chatbot via K PLUS and KBank Live
 - **Developed K PLUS Laos application:** We launched the service and improved the app features for enhanced efficiency as follows:
 - Redesigned the application to make it more suitable and convenient for users
 - Developed bill payment feature to facilitate payment on the application
 - Improved and developed a feature for payment and funds transfer which can be made from an e-wallet and a bank account
 - Added e-Savings service
 - **Developed the Coral NFT marketplace platform:** Non-Fungible Token (NFT) and blockchain technology are used to produce NFT digital art and digital collectibles, and create ownership rights in the digital world. This opens a new opportunity for fans of artists and brands to collect creators' works.
 - Coral launched Coral Collect, an application designed for storing digital collectibles with an integrated wallet.
 - Coral collaborated with GMM Music in offering “NFT Superfan Box Now & Forever Thongchai” which offers the opportunity to own memories from past 'BABB BIRD BIRD' concerts performed by Thongchai “Bird” McIntyre. Viewers of the concert on November 18, 2023 were able to receive MULTIBIRD NFT digital collectibles at Coral Collect.
 - Coral cooperated with Thailand Post in displaying a collection of digital stamp images on the app. The digital stamp set of 12 zodiac signs is the work of Her Royal Highness Princess Maha Chakri Sirindhorn, and was launched on the occasion of the 140th anniversary of Thailand Post at the “POSTiverse: Sending Happiness to Every Verse 140th Anniversary of Thailand Post and Thailand 2023 World Stamp Championship Exhibition.”
2. **Regional business expansion:** KBank unveiled initiatives in alignment with our strategic directions as follows:
- **Acquisition of Marco Technology Co., Ltd.:** KBank acquired 75 percent of all shares sold in Marco Technology Co., Ltd. through KASIKORN SOFT CO., LTD. (KSoft). This strategic investment aims to strengthen KBTG’s talent and technology team, thereby bolstering our capabilities to support IT

management for KASIKORNBANK FINANCIAL CONGLOMERATE in both Thailand and abroad. This includes expertise in quality management, software development and IT operations.

- **Launch of KBTG Vietnam (KBTGVN):** This new subsidiary of KBTG, located in Ho Chi Minh City, the Socialist Republic of Vietnam, aims to attract Vietnamese technology talents to be key resources for developing products and services in both the Socialist Republic of Vietnam and Thailand. It is now working on the K PLUS Vietnam and Core Banking projects.

3. **Research and development of innovative technology** in order to create products and services while enhancing work efficiency for KBank and KBTG. Major initiatives were as follows:

- **Developed data analytics technology at KBank:** To enhance the precision of business operations and workflows, KBTG has developed models to analyze data across various dimensions, including lending, marketing and property appraisal. This endeavor aims to increase the speed of business decision-making with reduced costs.
- **Developed and applied AI and Generative AI technologies across various domains:** To broaden business opportunities in the technology sector, we pioneered the following technological solutions:
 - AI Solution for business under the name of AINU by using verification technologies which include facial recognition, liveness detection and optical character recognition (OCR) for identity verification.
 - Car Inspection AI that uses AI for automated vehicle damage assessment, CCTV Analytics for analyzing branch performance using anonymized data, Asset Intelligence for enhancing asset management efficiency through the decoration of NPA images with Generative AI to boost sales opportunity, and development of a chatbot as a tool for efficiently delivering customer service and enhancing overall satisfaction.
- **Strategically collaborated with HashKey Capital, a leader in digital assets and blockchain in Hong Kong:** Through KASIKORN X CO., LTD. (KX), we aim to elevate the development of Web3 in the Southeast Asian region. The primary goal is to seek and invest in promising startups and projects advancing technology in the realms of digital assets and blockchain. This collaboration aims to propel these projects into regional and global markets.
- **Hosted the seminar, “Techtopia: Across The AI-Verse”:** The event, which provided insights into the evolution of artificial intelligence (AI) and the transformations occurring across various dimensions, brought together executives and AI experts from KBTG, as well as representatives from leading global institutions and organizations, such as Amazon Web Services (AWS), Google Cloud, Microsoft Thailand, LINE BK and Siam Piwat Group. The content was divided into four main areas covering every aspect of AI’s impact on the ecosystem: AI Trend and Outlook, AI Transformation, AI x Human, and AI Ecosystem.

- **Launched Kasikorn X Venture Capital (KXVC):** This fund, worth Baht 3.5 billion, was launched to invest in AI, Web3, and Deep Tech fintech startups, and a network of leading global funds. This initiative serves as the key gateway for founders worldwide to enter the Asia-Pacific (APAC) region.

3.4 Awards and Commendations⁴

KBank and K Companies have achieved good performance, earning the recognition of various organizations at home and abroad, as proven by the many awards granted during 2023, notably:

Awards to KBank and K Companies
<p>Awards to KBank</p> <ul style="list-style-type: none"> ● Six awards: Global Level: Global Sub-Category Winners - Best Consumer Digital Bank: Best in Social Media Marketing and Services; Regional Level: Best Consumer Regional Sub-Category Winners in Asia-Pacific: Best in Social Media Marketing and Services; National Level: Best Consumer Digital Bank in Asia-Pacific by Country: Thailand for the third consecutive year, Best Consumer Sub-Category Winners in Asia-Pacific - Thailand: Best in Mobile Banking App, Best in Social Media Marketing and Services and Best Open Banking API's from Global Finance magazine ● Five awards: Talent Management in Best Employee Value Proposition (Gold Level), Leadership Development in Best Unique or Innovative Leadership Development Program (Silver Level), Learning & Development in Best Hybrid Learning Program (Silver Level), Learning & Development in Best Unique or Innovation Learning Development Program (Silver Level) and Learning & Development in Best Use of a Blended Learning Program (Bronze Level) from Human Capital Management Awards 2023, organized by Brandon Hall Group ● Four awards: Best High-Yield Bond Deal of the Year (B.Grimm Power PCL's THB 8 billion (USD 234.19 million) Subordinated Perpetual Debt), Best Bond Deal for Retail Investors in Southeast Asia (Ek-Chai Distribution System Co., Ltd.'s THB 30.15 billion (USD 878.24 million) Debt), Best Inaugural Bond Deal in Southeast Asia & Best Local Currency Bond Deal of the Year in Thailand (CP Aextra PCL's THB 15 billion (USD 420.1 million) Multi-tranche Debt) and Best Trade Finance Bank in Thailand: KASIKORNBANK from Alpha Southeast Asia magazine ● Four awards: Employer of the Year (Gold Level), Excellence in Workforce Flexibility (Gold Level), Excellence in Employer Branding (Silver Level) and Excellence in Work-Life Harmony (Bronze Level) from HR Resource Online ● Three awards: SET ESG Ratings 2023 at "AAA", Best Sustainability Awards as one of the listed companies with market capitalization exceeding Baht 100 billion, and Deal of the Year Award from the Stock Exchange of Thailand ● Two awards: Best Retail Bank - Thailand for the fourth consecutive year and Best Digital Wallet of the Year (YouTrip) from The Digital Banker magazine ● Two awards: Smart Grid Project of the Year - Thailand and Power Project Finance House of the Year - Gold from Asian Power magazine ● Two awards: Thailand Domestic Digital Payment Initiative of the Year and Thailand Domestic Cash Management Bank of the Year from Asian Banking & Finance Wholesale Banking ● Two awards: Best Employer Branding (Gold Level) and Best Skilling Strategy (Bronze Level) from Employee Experience Award (EXA) in Singapore

⁴ More details about awards to KBank and K Companies in 2023 are available in Management Discussion and Analysis (MD&A) for the first, second and third quarters of 2023, and Annual Report 2023 (Form 56-1 One Report) of KBank.

Awards to KBank and K Companies

- **Best Digital Wallet of the Year** from Global Retail Banking Innovation Awards 2023
- **Future Enterprise of the Year** from IDC Future Enterprise Awards 2023
- **Outstanding Private Bank for Growth Strategy** from Private Banker International Global Wealth Awards 2023
- **Best Private Banking Thailand 2023** from World Economic magazine
- Selected for inclusion in the **Dow Jones Sustainability Indices (DJSI) 2023**, in both the DJSI World Index and DJSI Emerging Markets Index, for the eighth consecutive year
- **ESG 100 Certificate 2023** as one of the 100 Thai companies with outstanding ESG performance, based on the Integrated ESG Assessment conducted by the Thaipat Institute
- Certified standards of **Environmental Management System (ISO 14001:2015)** and **Occupational Health and Safety Management System (ISO 45001:2018)** for KBank's Head Office. This marks KBank as the first Thai commercial bank to receive certifications for both ISO standards simultaneously.
- "Excellent" CG Scoring from the **Corporate Governance Report of Thai Listed Companies**, conducted by the Thai Institute of Directors (IOD) and the Stock Exchange of Thailand
- "Outstanding and Exemplary" Rating from the **Annual General Shareholders' Meeting Assessment Project** conducted among Thai listed companies by the Thai Investors Association and Federation of Thai Capital Market Organizations
- **Best Companies to Work for in Asia 2023** - Thailand region for the fourth consecutive year from HR Asia magazine
- **Highest Honor Award - Outstanding Establishment in Labour Relations and Labour Welfare** for the 18th consecutive year from the Ministry of Labour

Awards to KASIKORN ASSET MANAGEMENT CO., LTD.

- Two awards: **Outstanding Asset Management Company** and **Outstanding Asset Management Company – ESG** from the Stock Exchange of Thailand

Awards to KBTG

- **Best Companies to Work For in Asia** for the fourth consecutive year from HR Asia magazine
- **2023 ASEAN Enterprise Innovation Award** from Asian Innovation Business Platform (AIBP)
- **Asian Technology Excellence Awards for AI 2023** in the category of Financial Technology – AI-Car Detection from The Asian Business Review magazine
- **Asia Pacific Enterprise Awards (APEA) 2023 Vietnam** in the category of Fast Enterprise Category, granted to KBTG Vietnam from Enterprise Asia
- **Employee Experience Award** in the category of Best Remote Management Strategy (Silver) from Human Resource Online
- **Good Design Award 2023** for K PLUS Vietnam from Japan Institute of Design Promotion
- **VMware Customer Achievement Awards 2023** in the category of Cloud Infrastructure Innovator from VMware Company

Awards to KASIKORN LINE CO., LTD.

- Three awards: **Best Open Banking Initiative**, **Most Dynamic Third-Party Collaboration** and **Highly Commended - Best Loan Offering** from Retail Banker International journal
- Two awards: **Best Digital Bank for CX in Thailand** for the second consecutive year and **Best Fintech for Digital CX - Consumer Lender** from The Digital Banker magazine
- **Best Digital-Only Bank** for the second consecutive year from The Asian Banker journal

Awards to KBank and K Companies

Awards to KASIKORN GLOBAL PAYMENT CO., LTD.

- Best Financial Inclusion Initiative (Digital Payment) from The Digital Banker magazine
- Strategic Partnership of the Year - Thailand from Asian Banking & Finance magazine

4. Operating Performance and Financial Position

4.1 Operating Performance

The Thai economy in 2023 continued to grow in an uneven manner (K-shaped Recovery). Amid a global economic slowdown, financial market worldwide faced volatility. Certain groups of KBank's customers were thus affected by these factors. Under these circumstances KBank continued to conduct business with prudence in order to cope with highly uncertain economic factors, while appropriately giving our customers assistance and support under sustainable guidelines.

KBank and its subsidiaries reported net profit for 2023 of Baht 42,405 million, an increase of Baht 6,635 million or 18.55 percent from previous year due to the low base effect and the gradual economic recovery seen in certain areas. However, KBank continues to set aside expected credit loss (ECL) at a high level of Baht 51,840 million, almost on par with last year, in alignment with the consistently careful approach to bolster the Bank's strength amid economic uncertainties that may persist. These efforts were aimed at aiding our customers with increased capabilities in their business operations, while also enhancing flexibility in our asset quality management. As of December 31, 2023, KBank's coverage ratio stood at 152.23 percent.

Operating profit before expected credit loss and income tax expense for 2023 stood at Baht 107,685 million, an increase of Baht 9,181 million or 9.32 percent over the previous year. The increase came mainly from net interest income of Baht 148,444 million, rising by Baht 15,446 million or 11.61 percent over year despite slowing loan growth compared to last year. KBank focused on effective asset quality management and improvement of credit underwriting process for new loans for enhanced efficiency. Therefore, our net interest margin (NIM) stood at 3.66 percent.

Non-interest income totaled Baht 44,209 million, an increase of Baht 3,950 million or 9.81 percent, compared to the previous year, derived mainly from gains on investment in financial instruments through our investment diversification policy in global assets, together with rising revenue from trading and foreign exchange transactions in line with higher business volume which was consistent with the partial recovery of the tourism sector. Meanwhile, net premiums earned – net decreased in line with market conditions and a decline in net fees and service income due mainly to decreased brokerage fees and fees from money transfer.

Other operating expenses totaled Baht 84,968 million, an increase of Baht 10,215 million or 13.67 percent over year, mainly from rising operating expenses which were consistent with an increase in operating income amid rising business volume. These included customer service expenses, marketing expenses, and IT-related expenses to support services, accommodate customer demand and maintain customer information security. In addition, employee expenses increased, partly driven by one-time expenses after the implementation of cost-of-living subsidy measures at the beginning of the year. As a result, cost to income ratio stood at 44.10 percent, slightly increasing from 43.15 percent in the previous year.

Operating Performance for 2023

(Unit: Million Baht)

	2023	2022	Change	
			Percent	Percent
Net Interest Income	148,444	132,998	15,446	11.61
Non-Interest Income	44,209	40,259	3,950	9.81
Total Operating Income - net	192,653	173,257	19,396	11.19
Total Other Operating Expenses	84,968	74,753	10,215	13.67
Expected Credit Loss	51,840	51,919	(79)	(0.15)
Net Profit (attributable to equity holders of KBank)	42,405	35,770	6,635	18.55
Basic Earnings per Share (Baht) ¹⁾	17.58	14.78	2.80	18.94

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 2023 and 2022 are as follows:

(Unit: Percent)

Financial Ratio	2023	2022	Increase (Decrease)
Return on Assets (ROA) ²⁾	0.99	0.86	0.13
Return on Equity (ROE) ³⁾	8.29	7.38	0.91
Net Interest Margin (NIM)	3.66	3.33	0.33
Cost to Income Ratio	44.10	43.15	0.95

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	2023	2022	Change
Significant increase in credit risk loans ⁴⁾ to total loans ⁵⁾	6.26	6.47	(0.21)
Significant increase in credit risk loans and non-performing loans ⁶⁾ to total loans ⁵⁾	9.37	9.67	(0.30)
NPLs gross ⁷⁾ to total loans ⁸⁾	3.19	3.19	0.00
Total allowance for expected credit loss ⁹⁾ to NPL gross (Coverage Ratio)	152.23	154.26	(2.03)
Loans ¹⁰⁾ to Deposits Ratio	92.25	90.77	1.48
Capital Adequacy Ratio ¹¹⁾	19.41	18.81	0.60
Tier 1 Capital Ratio ¹¹⁾	17.44	16.84	0.60

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 2023 was Baht 148,444 million, increasing by Baht 15,446 million or 11.61 percent over year. Net interest income did not deduct various debt management costs. The increase in net interest income could be attributed mainly to income from loans to customers which increased by Baht 22,650 million or 19.52 percent in line with average return and interest income from interbank and money market items which rose by Baht 5,947 million or 121.02 percent in line with increasing average return and average transaction volume.

.At the same time, interest expenses rose due to interest expenses from deposits from customers which rose by Baht 6,330 million or 81.70 percent in line with average interest rate and interest expenses from contribution to Financial Institutions Development Fund (FIDF) and Deposit Protection Agency which increased by Baht 6,154 million or 97.44 percent, following an increase in the rate of contribution to FIDF to the normal level of 0.46 percent. Therefore, our NIM for 2023 rose to 3.66 percent.

(Unit: Million Baht)

	2023	2022	Change	
			Increase (Decrease)	Percent
Interest Income	183,608	151,332	32,276	21.33
Interbank and money market items	10,861	4,914	5,947	121.02
Investments	26,345	23,447	2,898	12.36
Loans to customers	138,693	116,043	22,650	19.52
Hire purchase and finance leases	7,709	6,928	781	11.26
Interest expenses	35,164	18,334	16,830	91.80
Deposits from customers	14,078	7,748	6,330	81.70
Interbank and money market items	3,719	1,325	2,394	180.59
Contributions to Financial Institutions Development				
Fund and Deposit Protection Agency	12,471	6,317	6,154	97.44
Debts issued and borrowings	4,794	2,859	1,935	67.68
Others	102	85	17	19.58
Total Interest Income – net	148,444	132,998	15,446	11.61
Yield on Earning Assets (percent)	4.52	3.79		0.73
Cost of Fund (percent)	1.17	0.62		0.55
Net Interest Margin (NIM) (percent)	3.66	3.33		0.33

□ Non-Interest Income

For 2023, KBank's consolidated non-interest income totaled Baht 44,209 million, increasing by Baht 3,950 million or 9.81 percent over year. The increase was attributable mainly to gain on financial instrument measured at fair value through profit or loss which rose by Baht 7,070 million or 139.92 percent in line with market conditions. Meanwhile, net premiums earned – net dropped by Baht 1,869 million or 57.92 percent as a result of increased underwriting expenses and fees and service income – net which decreased by Baht 1,702 million or 5.17 percent due mainly to falling brokerage fees and fees from money transfer.

(Unit: Million Baht)

	2023	2022	Change	
			Increase (Decrease)	Percent
Non-Interest Income				
Fees and Service Income	48,620	48,345	275	0.57
Fees and Service Expenses	17,440	15,463	1,977	12.78
Fees and Service Income – net	31,180	32,882	(1,702)	(5.17)
Gain (Loss) on Financial Instrument measured at Fair Value				
through Profit or Loss	12,123	5,053	7,070	139.92
Gain (Loss) on Investments	(588)	(130)	(458)	(350.36)
Share of Profit (Loss) from Investments using Equity Method	(35)	115	(150)	(130.91)
Dividend Income	3,569	3,445	124	3.59
Net Premiums Earned	67,674	66,056	1,618	2.45
Other Operating Income	3,058	2,123	935	44.06
Less Underwriting Expenses	72,772	69,285	3,487	5.03
Total Non-Interest Income	44,209	40,259	3,950	9.81

□ Other Operating Expenses

KBank's consolidated other operating expenses for 2023 was Baht 84,968 million, increasing by Baht 10,215 million or 13.67 percent over year. The increase could be attributed mainly to rising expenses related to customer services in line with business volume, marketing expenses, expenses for activities jointly held with our business partners, IT-related expenses to accommodate customer demand and employee expenses, also driven in part by one-time expenses after the implementation of cost-of-living subsidy measures. Our cost to income ratio of 2023 was thus equal to 44.10 percent.

(Unit: Million Baht)

	2023	2022	Change	
			Increase (Decrease)	Percent
Employee Expenses	40,274	34,602	5,672	16.39
Directors' Remuneration	163	154	9	5.72
Premises and Equipment Expenses	11,388	11,408	(20)	(0.17)
Taxes and Duties	6,744	5,968	776	13.02
Others	26,399	22,621	3,778	16.70
Total Other Operating Expenses	84,968	74,753	10,215	13.67
Cost to Income Ratio (percent)	44.10	43.15		0.95

□ 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, 2023 and 2022, loans with significantly increasing credit risk (under-performing loans) to total loans ratio was equal to 6.26 and 6.47 percent, respectively, whereas loans with significantly increasing credit risk (under-performing loans) and credit impaired loans (non-performing loans) to total loans ratio was equal to 9.37 and 9.67 percent, respectively.

(Unit: Million Baht)

	Dec. 31, 2023		Dec. 31, 2022	
	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	2,227,973	45,546	2,229,656	46,612
Stage 2 Under-performing	185,331	43,822	188,303	46,075
Stage 3 Non-performing	92,064	44,508	93,344	40,842
Total	2,505,368	133,876	2,511,303	133,529

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

● Modified Loans

KBank and its subsidiaries engaged in modification contracts with debtors. In 2023, there were loans before modification amounting to Baht 10,673 million and incurred losses amounting to Baht 474 million.

● Expected Credit Loss

KBank and its subsidiaries set aside expected credit loss at a high level of Baht 51,840 million for 2023, which almost on par with the previous year. We maintained a cautious approach to bolstering the Bank's strength in order to cope with global economic uncertainties that may persist. These efforts were aimed at aiding our customers with increased capabilities in their business operations while also enhancing flexibility in our asset quality management. As a result, our expected credit loss to average loans for 2023 stood at 2.08 percent. Moreover, our coverage ratio as of December 31, 2023 was equal to 152.23 percent.

Expected Credit Loss

(Unit: Million Baht)

	2023	2022	Change	
			Increase (Decrease)	Percent
Expected Credit Loss	51,840	51,919	(79)	(0.15)
Expected Credit Loss to Average Loan (percent)	2.08	2.11		(0.03)

Allowance for Expected Credit Loss

As of December 31, 2023, our consolidated allowance for expected credit loss totaled Baht 133,876 million.

— Non-Performing Loans and Properties Foreclosed

Non-Performing Loans

As of December 31, 2023, financial conglomerate's NPLs stood at Baht 94,241 million or 3.19 percent of the total outstanding credit, including that of financial institutions. KBank's NPLs totaled Baht 88,327 million or 3.16 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)

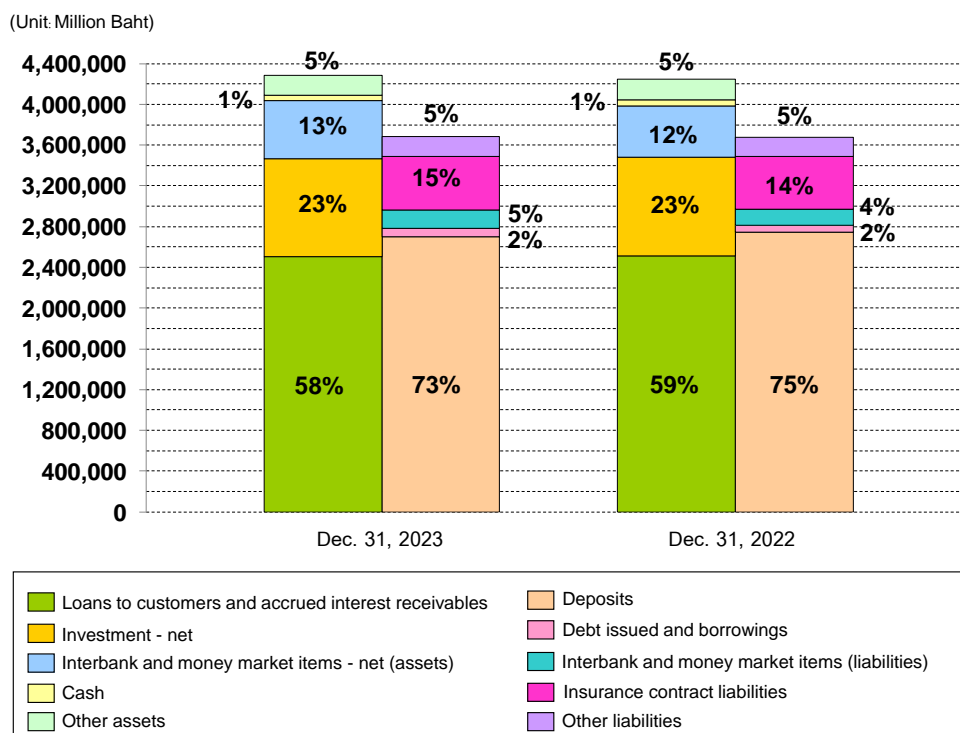
	For the Year Ending	Dec. 31, 2023	Dec. 31, 2022
Financial conglomerate NPLs		94,241	92,536
Percent of total outstanding credit, including that of financial institutions		3.19	3.19
KBANK NPLs		88,327	88,047
Percent of total outstanding credit, including that of financial institutions		3.16	3.19

Properties Foreclosed

As of December 31, 2023, our financial conglomerate properties foreclosed had a net value of Baht 54,753 million, thus being 1.28 percent of total assets.

4.2 Financial Position

Assets and Liabilities Structure

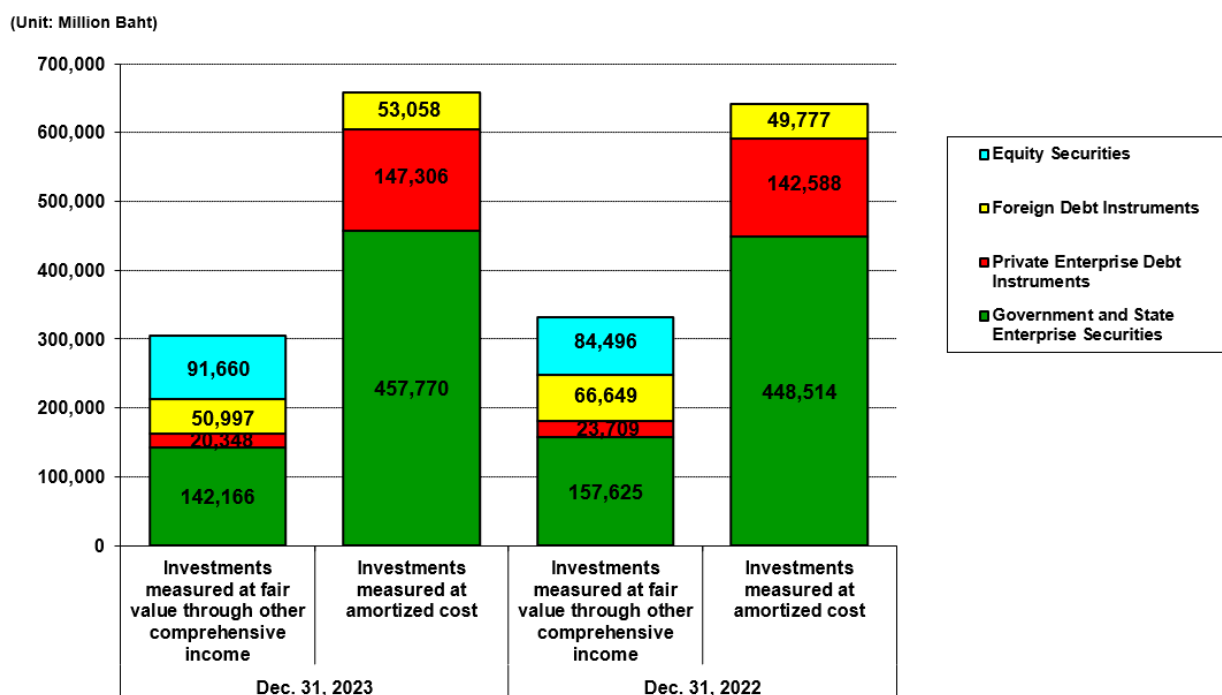


□ Assets

At the end of 2023, KBank's consolidated assets totaled Baht 4,283,556 million, increasing by Baht 37,187 million or 0.88 percent from the end of 2022. The rise was due mainly to an increase in net interbank and money market items. Meanwhile, derivative assets and net investment decreased. Key details are as follows:

- Net interbank and money market items totaled Baht 569,008 million, increasing by Baht 66,472 million or 13.23 percent from the end of the previous year, due mainly to KBank's liquidity management.
- Derivative assets totaled Baht 44,698 million, decreasing by Baht 20,334 million or 31.27 percent from the end of the previous year, due mainly to mark to market of financial derivatives in line with market conditions such as foreign exchange rates and interest rates. However, changes in derivative assets should be considered in conjunction with derivative liabilities. KBank had already mitigated significant risks with counterparties.
- Net investment totaled Baht 963,305 million, decreasing by Baht 10,053 million or 1.03 percent from the end of the previous year, in line with interest rates forecast.

Investments in Securities



□ Liabilities and Equity

Our consolidated liabilities at the end of 2023 amounted to Baht 3,686,721 million, which slightly increased by Baht 7,432 million or 0.20 percent from the end of 2022. The rise was mainly attributable to increased interbank and money market items, insurance contract liabilities and debt issued and borrowings. Meanwhile, deposits and derivative liabilities decreased. Significant changes in our consolidated liabilities included:

- Interbank and money market items equaled Baht 179,207 million, increasing by Baht 23,967 million or 15.44 percent from the end of the previous year, due to KBank's liquidity management.
- Insurance contract liabilities equaled Baht 529,301 million, increasing by Baht 15,823 million or 3.08 percent from the end of the previous year, in line with growing volume of life insurance business.
- Debt issued and borrowings equaled Baht 81,572 million, increasing by Baht 13,675 million or 20.14 percent from the end of the previous year, mainly as a result of issuance of unsubordinated and unsecured debentures by the Bank.
- Deposits equaled Baht 2,699,562 million, decreasing by Baht 49,123 million or 1.79 percent from the end of the previous year, mainly as a result of a decline in savings deposits. Meanwhile, fixed deposits increased.
- Derivative liabilities equaled Baht 42,062 million, decreasing by Baht 11,897 million or 22.05 percent from the end of the previous year, due mainly to mark to market of financial derivatives in line with market conditions such as foreign exchange rates and interest rates. However, changes in derivative liabilities

should be considered in conjunction with derivative assets. KBank had already mitigated significant risks with counterparties.

Equity (attributable to KBank) at the end of 2023 amounted to Baht 532,285 million, increasing by Baht 29,015 million or 5.77 percent from the end of 2022, derived mainly from KBank's net profit after deducting dividend payment in 2022.

□ Relationship between Sources and Uses of Funds

As of December 31, 2023, the funding structure as shown in the consolidated financial statement comprised Baht 3,686,721 million in liabilities and Baht 596,835 million in equity, of which Baht 532,285 million was equity (attributable to equity holders of the Bank), resulting in a debt-to-equity ratio of 6.93. The main source of funds on the liabilities side was deposits, which equaled Baht 2,699,562 million or 63.02 percent of the total source of funds as of December 31, 2023. Meanwhile, interbank and money market items as well as debt issued and borrowings accounted for 4.18 percent and 1.90 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, 2023	Percent	Dec. 31, 2022	Percent	Dec. 31, 2023	Percent	Dec. 31, 2022	Percent
≤ 1 Year	2,670,705	98.93	2,721,860	99.02	1,106,514	44.17	1,078,144	42.93
> 1 – 5 Years	28,857	1.07	26,825	0.98	591,513	23.61	614,164	24.46
> 5 Years	-	-	-	-	807,341	32.22	818,995	32.61
Total	2,699,562	100.00	2,748,685	100.00	2,505,368	100.00	2,511,303	100.00

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

As of December 31, 2023, 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, which mainly mobilized short-term funds for long-term loan extension or investment. However, the majority of deposits at KBank were renewed continually upon maturities. As a result, most deposits remained with KBank longer than their stated contractual term, thereby helping to support funding for KBank's lending.

As of December 31, 2023, KBank and subsidiaries' major use of funds was loans to customers which amounted to Baht 2,490,398 million, resulting in loan-to-deposit ratio of 92.25 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 2023, the Bank and its subsidiaries' cash were Baht 48,690 million, decreasing by Baht 8,425 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 Baht 9,541 million which was derived mainly from Baht 120,817 million of operating profit before changes in operating assets and liabilities, and changes in significant operating assets and liabilities consisting of deposits that decreased by Baht 49,563 million, derivative liabilities that decreased by Baht 11,460 million, while interbank and money market items (liabilities) increased by Baht 22,599 million, short-term debts issued and borrowings increased by Baht 10,336 million and other liabilities increased by Baht 9,774 million. Meanwhile, interbank and money market items (assets) increased by Baht 67,176 million, loans to customers increased by Baht 63,623 million and other assets increased by Baht 311 million. However, derivative assets decreased by Baht 20,335 million, properties foreclosed decreased by Baht 9,011 million and financial assets measured at fair value through profit or loss decreased by Baht 969 million.
- Net cash used in investing activities were Baht 8,008 million which was derived mainly from Baht 107,399 million of purchase of investments measured at fair value through other comprehensive income, Baht 102,130 million of purchase of investments measured at amortised cost, Baht 3,597 million of purchase of investments in subsidiaries, associates and joint ventures, Baht 4,874 million of purchase of intangible assets and Baht 3,969 million of purchase of premises and equipment, while there were Baht 129,899 million of proceeds from disposal of investments measured at fair value through other comprehensive income and Baht 84,082 million of proceeds from redemption of investments measured at amortised cost.
- Net cash used in financing activities were Baht 9,901 million which was derived mainly from Baht 21,695 million of repayment of long-term debts issued and borrowings, Baht 9,477 million of dividend paid to shareholders and Baht 1,261 million of cash paid for lease liabilities, while there was Baht 23,445 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, 2023	Dec. 31, 2022	Dec. 31, 2021
Avals to bills and guarantees of loans	21,064	18,431	29,263
Liability under unmatured import bills	48,174	47,898	42,952
Letters of credit	25,054	38,491	36,469
Other contingencies	729,551	744,206	741,818
Total	823,843	849,026	850,502

4.3 Loans and Deposits

□ Loans

As of December 31, 2023, KBank's consolidated outstanding loans stood at Baht 2,490,398 million, decreasing by Baht 4,679 million or 0.19 percent, compared to Baht 2,495,077 million as of December 31, 2022.

Loan Portfolio by Type of Customer and Credit Amount

(Unit: Million Baht)

	Dec. 31, 2023		Dec. 31, 2022	
	Corporate Business ¹⁾	Retail Business ²⁾	Corporate Business ¹⁾	Retail Business ²⁾
Loans	1,653,392	683,959	1,660,279	702,856

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.

KBank has a policy of prudent credit extension, accounting for the Thai economic situation and the highly competitive market. We focused on improvement of loan products and services, especially through adoption of data analytics and technology for enhanced efficiency in lending. We aimed to acquire customers with sound debt servicing ability who are interested in borrowing, in order to generate additional income for KBank under risk-adjusted pricing strategies and efficient risk management.

Corporate Business Loans

As of the end of 2023, our corporate business loans (Corporate and SME customers) had decreased by Baht 6,887 million or 0.41 percent from the end of 2022. The decrease was attributed mainly to a slowdown in new loans, reflecting limited business opportunities in line with economic conditions.

Corporate business loans showed growth mainly observed in financial institutions, real estate, industrial agriculture, petroleum and petrochemical products, and construction sectors.

Meanwhile, SME business loans continued to decline due to our proactive debt management approach. KBank still focused on multiple credit products to match customers' needs and their collateral. For instance, secured business loans were offered to customers with growth potential. Along with this, we used customers' transaction data, both financial and non-financial, to conduct both behavioral analysis and debt servicing ability assessment, while also adopting risk-adjusted pricing strategies in accordance with each customer's risk appetite.

Retail Business Loans

Our retail loans at the end of 2023 had decreased by Baht 18,897 million or 2.96 percent compared to the end of 2022. The decrease came mainly from a slowdown in new loans, both secured and unsecured – especially personal loan – as KBank adopted a prudent credit extension policy, while closely monitoring credit quality. KBank offered a modest approved credit limit to new customers having insufficient data but would increase loan amounts in line with risk level of customers who demonstrated discipline in debt repayment in accordance with the established conditions. Regarding home loan, classified as a secured loan, KBank offered the highest credit limit based on collateral value to our customers with good credit history so as to remain competitive and maintain our market share in the home loan segment in line with the set target. However, new home loan in this quarter still decreased amid heightened market competition.

□ Deposits

Deposits Classified by Type of Deposit Account

(Unit: Million Baht)

	Percent of Total Deposits	Deposits		Change	
		Dec. 31, 2023	Dec. 31, 2022	Increase (Decrease)	Percent
Total Deposits	100.00	2,699,562	2,748,685	(49,123)	(1.79)
Current accounts	6.13	165,512	158,343	7,169	4.53
Savings accounts	73.61	1,986,993	2,084,414	(97,421)	(4.67)
Fixed-term deposit accounts	20.26	547,057	505,928	41,129	8.13

In 2023, the Thai policy rate gradually increased by a total of 1.25 percent from the 2022 level to 2.50 percent. As a result, competition among commercial banks in the deposit market increased slightly. To maintain our competitiveness, KBank considered raising deposit interest rates by varying degrees appropriate for each deposit type to ensure effective deposit cost management, as deposit is our core funding source. This effort was carried out under our liquidity management guidelines in line with lending growth.

The upward trend of interest rates throughout 2023 affected KBank's deposit structure. Total deposits from current accounts and savings accounts (CASA) declined by Baht 90,252 million or 4.02 percent, compared to the previous year. As a result, deposits from current accounts and savings accounts to total deposits stood at 79.74 percent. The decline aligned with the direction of increasing interest rates amid a shift of deposits to alternative investments offering higher returns. Meanwhile, deposits from KBank's fixed-term deposit accounts increased by Baht 41,129 million or 8.13 percent over year.

KBank focused on deposits from current accounts and savings accounts, considered as high-quality accounts, as they are funded by customers' main operating accounts. Therefore, marketing campaigns were launched to attract new clients who use KBank's deposit account as their main operating account for both receiving funds and daily spending via our digital payment channels.

In the fourth quarter of 2023, KBank also extended the Online Direct Debit promotional campaign for customers who are savings cooperative members who linked their savings cooperative account to a deposit account of KBank on K PLUS. Moreover, we introduced a 30-month Super Senior Fixed Deposit Account which offers personal accident coverage of up to Baht 3 million and medical expenses of Baht 10,000 per visit.

4.4 Treasury Operations

In 2023, the US Federal Reserve implemented its tightening monetary policy and raised its policy rate from 4.25-4.50 percent to 5.25-5.50 percent in an effort to tame inflation that remained higher than the target level. Meanwhile, the Bank of Thailand hiked its policy rate to 2.50 percent at the end of 2023, from 1.25 percent at the end of 2022, consistent with the Fed's policy rate direction. The Thai policy rate is expected to stabilize at this level to maintain a balanced economy amid domestic inflation that was moving within the inflation target range set by the Monetary Policy Committee.

The gradual policy rate increases of the US Federal Reserve and the Bank of Thailand throughout 2023 led to volatility and pressure on interest rates in the US Dollar-denominated bond market and elsewhere. Meanwhile, Thai bond yields also faced pressure from the government's economic stimulus policies which are expected to be further implemented. KBank therefore aligned the investment strategy of the bond portfolio with interest rate trends by maintaining average maturity of bonds in our portfolio in short range while also making prudent adjustments as appropriate to limit the potential impacts of interest rate volatility. The action was in alignment with KBank's guidelines for its investment portfolio which prioritize the maintenance of liquidity in order to accommodate any future change in business conditions.

In 2023, average overnight interbank lending rates stood at 1.95 percent p.a., up from the average rate of 0.65 percent p.a. in 2022, in line with an increase in the Thai policy rate. At the same time, KBank raised both loan and deposit interest rates in line with the policy rate hike in order to maintain its competitiveness. The Bank increased deposit interest rates of savings account and fixed deposit account, as well as raising reference lending rates, namely Minimum Loan Rate (MLR), Minimum Overdraft Rate (MOR), and Minimum Retail Rate (MRR).

KBank established guidelines for liquidity management under an acceptable risk appetite and effective cost management. Focus was on fund mobilization mainly through deposits, especially current accounts and savings accounts (CASA) funded by customers' main operating accounts, which are considered as high-quality deposits. As for liquidity management in foreign currencies, KBank placed emphasis on the matching maturity strategy for sources and uses of funds to mitigate risks from sourcing non-core currency liquidity.

Treasury Operations Income

(Unit: Million Baht)

Income Structure of Treasury Operations (Banking Book)	Percent of Total Income	2023	2022	Change	
				Increase (Decrease)	Percent
Interest Income¹⁾					
Interbank and money market items ²⁾	59.60	10,421	2,751	7,670	278.81
Investments	40.40	7,065	5,653	1,412	24.98
Total	100.00	17,486	8,404	9,082	108.07

Note: ¹⁾ Managerial figures

²⁾ Including loans

Total interest income in 2023 stood at Baht 17,486 million, increasing by Baht 9,082 million or 108.07 percent from the previous year, attributed mainly to rising interest rates of assets in which KBank invested 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, 2023, our deposits at the Bank of Thailand and cash at cash center averaged Baht 27,180 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	2023	2022	2021
KASIKORN ASSET MANAGEMENT CO., LTD. (KAsset)	Assets under Management	1,573,324	1,489,097	1,575,362
	Market Share (Percent)	18.01	18.10	18.00
KASIKORN SECURITIES PCL (KSecurities)	Trading Volume	655,703	1,021,116	1,517,385
	Market Share (Percent)	2.73	3.00	3.70
KASIKORN LEASING CO., LTD. (KLeasing)	Outstanding Loans	153,393	137,366	121,166
KASIKORN FACTORY AND EQUIPMENT CO., LTD. (KF&E)	Outstanding Loans	23,720	24,314	25,149
	Market Share (Percent)	11.21	11.34	11.88
Muang Thai Life Assurance PCL (MTL)	Net Premiums Earned	70,978	69,326	72,977
	Market Share (Percent)	11.21	11.34	11.88

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

During 2023, 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): As of the end of 2023, KAsset maintained its number-one position in the mutual fund business, with a market share of 22.29 percent and a share of assets under management of 18.01 percent. This excellent performance was due in part to its synergy with KBank in developing multiple products as investment alternatives which can fully meet the needs of all customer groups, while enhancing their confidence. In 2023, the company launched many retirement mutual funds (RMFs) targeting high-end customers. Notable funds included K Planetary Transition RMF (KPLANETRMF), WealthPLUS Balanced RMF (WPBALANCEDRMF) and WealthPLUS Ultimate RMF (WPULTIMATERMF).

KAsset also launched funds that invest in businesses focusing on environmental, social and governance (ESG) operations. These included K Planetary Transition-A (K-PLANET-A(A)) which invests in equity and equity-related securities issued by companies worldwide whose growth will benefit from regulations, innovations, services or products related to the global efforts to combat or adapt to climate change; K Sustainable Fund Not for Retail Investors-A(A) (K-STN-UI-A(A)) investing in companies with positive environmental and/or social characteristics; K Positive Change Equity Fund-A(A) (K-CHANGE-A(A)) focusing on companies which create positive impacts on society and/or the environment; and K Thai Equity CG RMF (KTHAICGRMF) that invests in shares of companies with good corporate governance, as well as K Target Net Zero Thai Equity Fund-ThaiESG (K-TNZ-ThaiESG), which is the largest Thai ESG fund in terms of size in the market.

KAsset is the first asset management company in Thailand to be approved to establish a Sustainable & Responsible Investing Fund (SRI Fund). It is also the only Thai asset management company that has signed the Principles for Responsible Investment (PRI Signatory) and has published the Task Force on Climate-Related Financial Disclosures (TCFD) report. All of this reflects the company's commitment to aligning with internationally recognized investment principles for the utmost benefit of investors and Thai society in the long run.

Meanwhile, KAsset worked with KBank to enhance sales channel efficiency in compliance with the regulations of the Office of the Securities and Exchange Commission (SEC). Emphasis was placed on competency of fund sales officers and support of investment via 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 after-sales service that customers can process by themselves for enhanced convenience and swift response time.

KASIKORN SECURITIES PCL (KSecurities): In 2023, the company's securities trading volume totaled Baht 655,703 million, holding a market share of 2.73 percent. It emphasized the development of services via online channels in sync with investor behavior, such as opening of online accounts and online account-related services that allow investors to conduct transactions by themselves. Focus was also on provision of quality

information via multiple online channels to keep investors abreast of the latest developments. In addition, KSecurities is developing a comprehensive investment tool to serve as a source of investment data and a one-stop platform for trading multiple products.

KASIKORN LEASING CO., LTD. (KLeasing): In 2023, KLeasing booked new loan for hire purchase, car registration loan and auto loan (dealer floorplan) in total of Baht 130,429 million, increasing 15.00 percent from previous year. In terms of hire purchase, KLeasing was able to grow a market share of new car loan from 4.96 percent in 2022 to 5.68 percent in 2023. Given rapid growth of EV cars in 2023 and collaboration with several EV manufacturers, KLeasing expanded new car loan by 14.00 percent while new vehicle sales volume nationwide dropped by 6.00 percent.

KLeasing aims to be at the forefront in the EV loan market, supporting the adoption of clean energy vehicles in the transition to a zero-carbon society. To this end, the company launched K EV SHOP, introducing campaigns exclusively designed for K PLUS users, now topping 21.7 million. By leveraging data analytics to shed light on customers' needs, KLeasing offered customized solutions for customers buying EVs from participating brands as part of its effort to promote EV sales of its partner car companies.

In addition, the company developed the Digital Self-Apply platform, allowing customers to apply for auto loans by themselves, upload required documents, and receive their online loan approval results in real-time. The platform is also connected to leading EV platform providers in partnership with KLeasing.

Meanwhile, KLeasing placed emphasis on efficient credit quality management through the adoption and improvement of KBank's system to evaluate customer quality and potential, which is in line with the Bank of Thailand's responsible lending guidelines. KLeasing also updated advertising materials to comply with the Bank of Thailand's responsible lending guideline, as well as any other applicable regulations.

KASIKORN FACTORY AND EQUIPMENT CO., LTD. (KF&E): The company provides equipment leasing service. In 2023, KF&E's outstanding equipment leasing was Baht 23,720 million. The company collaborated with KBank in offering "Green Loan" to clean energy and/or renewable energy projects, i.e., K-Energy Saving Guarantee Program (Solar Rooftop), and EV Charging Loan. Meanwhile, KF&E provided support to investment in machinery for other types of renewable energy while continually maintaining relationships with its partners who are machinery dealers in other industries.

Muang Thai Life Assurance PCL (MTL): In 2023, market share of the company's total premiums in bancassurance business was 16.08 percent, ranking second in the life insurance industry. 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. Notable products included retirement life insurance, whole life insurance for family protection, life and savings insurance, life and health insurance with coverage for critical illnesses, health insurance rider offering substantial

inpatient department (IPD) medical benefits, and life insurance with business loan protection specifically designed for small business customers.

In addition, the company prioritized customer benefits throughout all of its processes – before, during and after each sale – with the aim of improving the sales process. One notable endeavor was the introduction of the e-Application program on tablets for offering bancassurance products to enhance application efficiency. Along with this, the company offered payment service via K Payment Link. Meanwhile, Unit-Linked Portfolio Review was developed to equip our customers with useful information and knowledge on investment, while MTL Portfolio Management Service is also offered. Other notable initiatives included MTL Portfolio Management Service, policy renewal notification and insurance premium payment via K PLUS, and the MTL Click application which 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 Financial 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 2023, KASIKORNBANK FINANCIAL CONGLOMERATE, under the Basel III capital requirements, had capital funds of Baht 537,775 million, consisting of Baht 483,399 million in Tier-1 capital (Baht 456,474 million in Common Equity Tier-1 capital) and Baht 54,376 million in Tier-2 capital. The capital adequacy ratio was 19.41, which was above the Bank of Thailand's minimum requirement and buffer requirement of 12.00 percent. Meanwhile, Tier-1 capital ratio was 17.44 percent (Common Equity Tier-1 ratio was equal to 16.47 percent), all of 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 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 Financial Conglomerate's capital levels are above regulatory requirements.

Capital Adequacy Ratio¹⁾

- KASIKORNBANK FINANCIAL CONGLOMERATE²⁾

(Unit: Percent)

Capital Adequacy Ratio	Basel III					
	Minimum Requirements including Buffer Requirement ³⁾	Dec 31, 2023	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022
Tier 1 Capital Ratio	9.50	17.44	17.65	17.04	16.92	16.84
<i>Common Equity Tier 1 Ratio</i>	8.00	16.47	16.67	16.06	15.94	15.86
Tier 2 Capital Ratio	-	1.97	1.97	1.97	1.98	1.97
Capital Adequacy Ratio	12.00	19.41	19.62	19.01	18.90	18.81

- The Bank

(Unit: Percent)

Capital Adequacy Ratio	Basel III					
	Minimum Requirements including Buffer Requirement ³⁾	Dec 31, 2023	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022
Tier 1 Capital Ratio	9.50	16.66	16.95	16.12	16.06	15.96
<i>Common Equity Tier 1 Ratio</i>	8.00	15.63	15.90	15.08	15.02	14.93
Tier 2 Capital Ratio	-	2.06	2.07	2.06	2.07	2.06
Capital Adequacy Ratio	12.00	18.72	19.02	18.18	18.13	18.02

Notes: 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 that the Bank maintain two capital buffers as follows:

- Conservation Buffer: BOT required that KBank maintain an additional Common Equity Tier 1 at more than 2.50 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 2023, 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 newly approved 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” concept so as to strengthen our competitive advantage in the dimensions of customer segments and products, paying attention to the linkages between them so as to attain the highest efficiency in capital usage.

4.7 Credit Ratings

In 2023, the Bank's credit ratings given by Moody's Investors Service, Standard & Poor's, and Fitch Ratings remained unchanged from the end of December 2022.

Meanwhile, on April 28, 2023, Fitch Ratings assigned ex-government support ratings or “xgs” ratings to banks in the Asia-Pacific (APAC) region, including KBank and two other commercial banks in order to demonstrate the true capabilities of each bank to investors. The ratings were in line with the intention of regional central banks which aim to show their creditworthiness that excluded assumptions of government support.

Details of the Bank's credit ratings are shown in the following table.

KASIKORNBANK's Credit Ratings

Credit Ratings Agency

Dec. 31, 2023

Moody's Investors Service ¹⁾

Foreign Currency

Outlook	Stable
Long-term - Senior Unsecured Notes	Baa1
- Deposit	Baa1
- Counterparty Risk	Baa1
- Subordinated Debt	Ba1
- Non-Cumulative Preferred Stock	Ba2
Short-term - Debt/Deposit	P-2
- Counterparty Risk	P-2
Baseline Credit Assessment	baa2

Domestic Currency

Outlook	Stable
Long-term - Deposit	Baa1
- Counterparty Risk	Baa1
Short-term - Debt / Deposit	P-2
- Counterparty Risk	P-2

Standard & Poor's ¹⁾

Global Scale Ratings

Outlook	Stable
Long-term Counterparty Credit Rating	BBB
Long-term Certificate of Deposit	BBB
Short-term Counterparty Credit Rating	A-2
Short-term Certificate of Deposit	A-2
Senior Unsecured Notes (Foreign Currency)	BBB

Fitch Ratings ¹⁾

International Credit Ratings (Foreign Currency)

Outlook	Stable
Long-term Issuer Default Rating	BBB
Long-term Issuer Default Rating (xgs)	BBB(xgs)
Short-term Issuer Default Rating	F2
Short-term Issuer Default Rating (xgs)	F3(xgs)
Senior Unsecured Notes	BBB
Senior Unsecured Notes (xgs)	BBB(xgs)
Viability	bbb
Subordinated Debt (Basel III-compliant Tier 2 securities)	BB+
Government Support	bbb

National Credit Ratings

Outlook	Stable
Long-term	AA+(tha)
Short-term	F1+(tha)
Subordinated Debt (Basel III-compliant Tier 2 securities)	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, Associated Companies and Joint Ventures

□ 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 2023, KBank expanded its investment in the following companies which are part of KASIKORNBANK FINANCIAL CONGLOMERATE:

1. MARCO TECHNOLOGY CO., LTD.: KASIKORN SOFT CO., LTD. holds 75 percent of the company's registered shares, totaling Baht 8.25 million. It provides information technology solutions to support the operations of KASIKORNBANK FINANCIAL CONGLOMERATE.
2. KASIKORN X VENTURE CAPITAL CO., LTD.: A wholly-owned subsidiary of KASIKORN X CO., LTD., with registered capital of Baht 1 billion, the company operates a venture capital business.
3. NGERN HAI JAI CO., LTD.: KASIKORN INVESTURE CO., LTD. holds 100 percent of shares in this company with registered capital totaling Baht 265 million. The company operates auto title loan with a personal loan business license under the supervision of the Bank of Thailand, auto title loan (car as collateral), hire purchase loan for used car.
4. KAPTURE ONE CO., LTD.: KASIKORN INVESTURE CO., LTD. holds 70 percent of shares in the company with registered capital of Baht 35 million. It operates business related to Loyalty Program, Customer Relationship Management (CRM) Solution Platform, e-Marketplace management, and other businesses to support KASIKORNBANK FINANCIAL CONGLOMERATE (Reward Inventory Provider).

5. ORBIX INVEST CO., LTD.: A wholly owned subsidiary of UNITA CAPITAL CO.,LTD., with registered capital totaling Baht 100 million, the company engages in digital asset fund management business.
6. ORBIX TECHNOLOGY & INNOVATION CO., LTD.: A wholly owned subsidiary of UNITA CAPITAL CO., LTD., with registered capital totaling Baht 260 million, the company engages in blockchain infrastructure development.
7. ORBIX TRADE CO., LTD.: UNITA CAPITAL CO., LTD. holds 97 percent of shares in this company, with registered capital totaling Baht 673 million, which operates a business as a digital asset exchange.
8. KASIKORN VISION (SHANGHAI) PRIVATE FUND MANAGEMENT CO., LTD.: A wholly-owned subsidiary of KASIKORN VISION CO., LTD., the company has registered capital of RMB 33 million and operates financial business as a Private Equity Fund Manager.
9. PT KASIKORN VISION FINANCIAL INDONESIA: KASIKORN VISION FINANCIAL CO., LTD. holds 99.99 percent of shares in this company which has registered capital totaling IDR 7.5 billion. It holds unlisted shares under jurisdiction of the Republic of Indonesia.
10. KOP50 CO., LTD.: KASIKORNBANK holds 100 percent of shares in this company with registered capital totaling Baht 80 million. It operates a holding business that invests in its own financial group.
11. KENERGYPLUS CO., LTD.: A wholly-owned subsidiary of KOP50 CO., LTD., the company has registered capital of Baht 5 million and engages in e-marketplace platform and IT solution 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 resembles a stylized leaf or a curved banner, positioned on the right side of the page. It has a pointed top and a rounded bottom, with a vertical edge on the right side.

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